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ABSTRACT

The history of the Federal Bonding Program is traced from the first Bonding Assistance Demonstration Projects to the passage of the Comprehensive Employment and Training Act, 1973. The bonding program provides fidelity bonding for individuals who are normally excluded from insurance policy bonding, including ex-offenders, enabling them to work at jobs for which they would be otherwise ineligible. The program's origins began with the passage of the Manpower Development and Training Act in 1962, with subsequent legislation authorizing the bonding program in 1965. An analysis of program design includes the adoption of the basic program and administrative structure, eligibility criteria, development of a procurement document, the United Bonding Insurance Company's bid, and the negotiation of a contract. Program implementation is traced from the initial site selection through development of reporting systems, expansion to the status of a national program, modification, legislative developments, and funding. Appended materials take up approximately half of the report and contain historical documents, including excerpts from the Manpower Development and Training Act of 1962, Department of Labor documents, materials from State and local employment services offices, and an article on the Federal Bonding Program. This is the first in a series of three documents. (LH)

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AN ANALYSIS OF THE FEDERAL BONDING PROGRAM

VOLUME I: PROGRAM HISTORY

FINAL REPORT

September 1975

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This study was conducted under Contract Number 20-25-75-01 with the Office of Manpower Research and Development of the Manpower Administration U. S. Department of Labor.

Organizations undertaking such projects under Government sponsorship are encouraged to state their findings and express their judgments freely. Therefore, points of view or opinions stated in this document do not necessarily represent the official position or policy of the Department of Labor.

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PREFACE

This report presents the results of an analysis of the Federal Bonding Program from the first Bonding Assistance Demonstration Projects to the present nationwide Manpower Administration effort. The analysis was conducted by Contract Research Corporation from August, 1974, through September, 1975, under Contract Number 20-25-75-01 with the Office of Manpower Research and Development, Manpower Administration, U. S. Department of Labor.

The results of our analysis are presented in a two volume final report. Volume I contains the Program History focusing upon the program origins and its subsequent administrative evolution. Volume II contains the Program Analysis, a compilation and analysis of data concerning the utilization of the bonding program and its results. The program analysis contains the findings of this study relative to utilization and results, the conclusions based upon these findings, and a set of recommendations. A Summary containing the highlights of the Program History and Program Analysis is presented in a separate volume.

Among the Contract Research Corporation staff, major contributions to this study were made by the following individuals. Susan Carnduff assisted in the conduct of the historical analysis and had primary responsibility for the program analysis and preparation of Volume II of this report. Carole Miller participated in the conduct of the historical and program analyses and prepared drafts of several sections of Volume I. Diane Savitzky conducted much of the analysis of program data and drafted several sections of Volume II. Additional data tabulation and analysis activities were carried out by Josie Bauer and Giles Carter. Dr. Herbert Weisberg provided statistical consultation to project staff throughout the study. Hal Shear provided invaluable advice at key points in the conduct of the study and technical review of its major reports.

Whatever strengths can be found in this report are, in large part, attributable to the overall support and direction of the project team provided by Joanna Kennedy, Corporate Officer in Charge of the project.

The Contract Research Corporation staff are indebted to a great number of people for their cooperation in all aspects of this study. Current and former Department of Labor and insurance industry officials consented to be interviewed, offered suggestions, shared opinions and files, and reviewed earlier drafts of this report. While it is difficult to single out any one individual, it must be said that it is impossible to think of anything our Project Officer, William R. Throckmorton, could have done to facilitate the study that he did not do. His enthusiastic

support of the project has set a standard which it is unlikely that many others can match.

A special word of appreciation is due to the current and former bonding program participants and their employers who took the time and trouble to complete our follow-up survey instruments and provided us with critical data that was nowhere else available. It is our hope that the results of our analysis will make it possible for the Department of Labor to improve its delivery of manpower services to future ex-offender job seekers, and to their employers.

Lawrence Bailis
Project Director
September, 1975

1.0 INTRODUCTION AND OVERVIEW

1.1 General Background

Fidelity bonding is a form of insurance utilized to indemnify employers for loss of money or other property sustained through dishonest acts of covered employees. These acts include larceny, theft, forgery, and embezzlement. Loss caused by omission or error not involving dishonesty is not covered.

In recent years, fidelity bonding coverage has generally been purchased by employers in the form of blanket bonds, a single policy which covers all officers and employees of the establishment collectively. Other, less used, kinds of bonding include individual bonds (which, as is suggested by the name, cover only one individual for a specified amount of loss), name schedule bonds (which list individual employees and amounts of their coverage), and position schedule bonds (which cover all employees in a given position, e.g., cashier, for a stated amount without listing their names).

The blanket bonds have constituted the largest portion of the market because of their greater administrative simplicity; under blanket bonds, there is no need to update the policy whenever personnel actions are taken or new job categories created.

Fidelity bonding is generally considered good financial management practice, and is now utilized by a significant proportion of employers. However, fidelity bonding has stood as a major barrier to the employment of those with police records and ex-offenders because the standard fidelity bonding policies have included the following clause:

> The coverage of this Bond shall not apply to any Employee from and after the time that the Insured or any partner officer thereof not in collusion with such Employee shall have the knowledge or information that such Employee has committed any fraudulent or dishonest act in the service of the Insured or otherwise, whether such act be committed before or after the date of employment by the Insured. (Emphasis added.)

Fidelity bonding underwriters have included this clause because, according to standard fidelity bonding practice, bonds should not be issued at all whenever there is any reasonable likelihood that an individual might default. In other words, unlike life insurance underwriters, who peg premiums according to the degree of risk, fidelity bond underwriters generally seek to avoid risk altogether. In the eyes of these underwriters, previous commission of a dishonest or fraudulent act is an indicator of a likelihood to do so again in the future.*

The federal bonding program emerged from a series of experimental and demonstration (E & D) efforts by the Department of Labor to determine whether ex-offenders and other potential employees excluded by the "fraudulent or dishonest" clause in the bonds were truly such a risk as to be justifiably prohibited from working at certain jobs for the rest of their lives, simply because of a previous "record."

These E & D bonding efforts were planned by the Department of Labor in early 1965, in response to feedback from manpower program operators which indicated that the exclusionary eligibility clause was preventing certain training program graduates from obtaining jobs for which they were otherwise qualified. Specific legislative authorization to attack this problem was obtained in the 1965 amendments to the Manpower Development and Training Act (MDTA). In 1966, E & D projects were implemented at public Employment Service offices in four cities and at six additional sites in order to (a) explore the feasibility and usefulness of a program to overcome the effects of these exclusionary practices on ex-offenders and (b) to determine the viability and utility of at least one way of doing this: by providing fidelity bonding to some of the groups affected by these exclusionary practices.

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* As is discussed later in this paper, many insurers claim that they waive this restrictive clause whenever employers give them good evidence of the trustworthiness of a potential employee. This claim has been disputed by some employers.

It was hoped that if fidelity bonding coverage could be provided for such presumed "high risk" job applicants, the record of the E & D projects would establish (actuarial) bases for determining the costs of providing special coverage and demonstrate that these applicants were no less trustworthy than the average employee. If this hope were realized, it was further anticipated that insurance companies might be persuaded to modify or eliminate the restrictive bonding eligibility practices that had caused Department of Labor officials to be concerned.

Department of Labor officials responsible for those E & D projects gradually reached the conclusion that the availability of bonding was indeed helping significant numbers of employees to get jobs for which they were otherwise ineligible. Accordingly, the demonstration projects were expanded to additional sites, to the point where bonding services were available in more than fifty cities in twenty-nine states. In 1970, a decision was reached to transfer the expanded E & D bonding effort to an operational national program, making it available through each of the more than 2,200 Employment Service Local Offices in the United States. The changeover took place in 1971, and bonding has continued as a national program to the present time.

Prior to expansion to a nationwide program, the E & D bonding projects were known collectively as the Trainee Placement Assistance Demonstration Projects. Since that time, they have been known as the Federal Bonding Program. The purpose of this paper is to provide a history of the origins and evolution of Trainee Placement Assistance Demonstration Projects and the ensuing Federal Bonding Program. For convenience, the phrase "Trainee Placement Assistance Demonstration Projects and the ensuing Federal Bonding Program" is hereafter abbreviated to read "the bonding program."

The bonding program is just one of many operational manpower programs and techniques which were first conceived and implemented as experimental and

demonstration (E & D) projects. The Concentrated Employment Program (CEP), the Job Opportunities in the Business Sector (JOBS), the Section 251 inmate training projects, the New Careers Program, the Human Resources Development (HRD) concept, and the idea of MDTA Skills Centers can all be traced to exploratory efforts sponsored by E & D.

But the bonding program appears to be somewhat unique in the degree to which it has been adopted by State and local operating agencies without any further categorical authorization or infusion of funds from the Department of Labor.

For this reason, it is instructive to review the administrative history of the bonding program in order to isolate some of those elements which may have contributed to this record. The manner in which this effort has been planned and conducted is discussed below.

1.2 Research Objectives

As indicated in the research design for this study,* this history has four purposes:

- To provide an accurate record of the evolution of the bonding program from the passage of the initial authorization in the Manpower Development and Training Act of 1962, as amended in 1965, through the passage of the Comprehensive Employment and Training Act (CETA) in December, 1973, focusing upon key events in that evolution.
- To provide insights into the interests and expectations of key Department of Labor staff members.
- To provide an accurate record of the insurance industry's attitudes and policies towards bonding those with criminal records and those who are bad credit risks.
- To provide an insurance industry perspective of Department of Labor activities under the bonding program.

* Research Design for Analysis of the Federal Bonding Program, pages 2 and 5.

1.3 Research Methodology

1.3.1 Data Sources and Data Collection

The history and analysis presented in this paper are based on the collection and analysis of two kinds of information:

- Program documentation - - the written records of the program, including the contracts between the Department and the selected underwriters who have delivered bonding services under the program; intra-Departmental memoranda concerning bonding activities; and correspondence between Departmental officials and other interested parties.

- Recollections of key participants in the conception, development and implementation of the bonding program, including current and former Department of Labor officials and executives in the fidelity bonding industry.

Data collection was accomplished through interviews with key participants in the evolution of the program and through review of historical files. Interviews were completed with more than twenty Department of Labor and insurance industry officials; most of them also provided access to their files to supplement the interview data.

1.3.2 Data Analysis

The data collected for this paper were analyzed with two ends in mind. The first of these was to provide a succinct historical narrative, a chronological listing of the major events in the history and evolution of the program. This narrative is presented in Section 2.

The second of these was to review all available information in order to obtain explanations of how and why the program evolved as it did. Explanation of the origins of the program is presented in Section 3; Section 4 reviews the design phase in the history of the program; and Section 5 describes the implementation of the bonding program. An analysis of several major factors which seem to have affected the program at all phases of its evolution is presented in Section 6.

It is inevitable that explanatory analyses involve the use of judgement. Whenever possible, the data or other evidence used to provide explanation is presented either in the text or in footnotes. The sources of quotations are not identified, at the request of some of our interviewees. Similarly, the senders and receivers of memoranda are identified only by the organizations in which they were working at the time.

1.4 Agency Nomenclature

Straightforward historical description of Departmental manpower programs is hampered by the frequent reorganizations and multiple program activities of the Manpower Administration which took place in the mid and late 1960's. Regardless of the changing names of some of the offices involved, however, the planning and implementation of the bonding program appears to have been a cooperative effort between the agency within the Manpower Administration with responsibility for experimental and demonstration (E&D) activities, and the organization with responsibility for administering the public Employment Service at the National Office level.

During the period when the bonding program was first being considered and designed, the E&D responsibility was assigned to an organization known as the Office of Manpower, Automation and Training (OMAT). By the time the program was implemented, the E&D responsibilities had been assigned to the Office of Special Manpower Programs within the Office of Manpower Policy Evaluation and Research (OMPER). Coincident with the further evolution of the program, the E&D agency became known as the Office of Pesearch and Development (ORD) within the Office of Policy Evaluation and Research (OPER).

OMAT, OMPER, and OPER are basically the same office with different names. The Office of Special Manpower Programs was established to conduct E&D programs,

and was later merged with the Office of Research to form ORD. But despite these name changes, E&D responsibilities remained in the same unit in the same overall office.

The same pattern was present with respect to the Employment Service. The reponsibility for coordination of the bonding program with State Employment Service Local Offices was initially assigned to the Manpower Administration's Bureau of Employment Security (BES). Subsequent Departmental reorganizations led to a separating out and regrouping of the National Office agencies with responsibility for the public Employment Service, the Unemployment Insurance Service, and the various Departmentally funded employment and training programs. As a result of these reorganizations, responsibility for coordination with ES Local Offices was then held by organizations known as the United States Training and Employment Service (USTES) and the United States Employment Service (USES).

As in the E&D case, the Employment Service responsibilities for the bonding program stayed with the same staff unit even though the parent organization's name and broad jurisdiction was changing.

Because their organizational restructurings did not appear to have any direct effect on the evolution of the bonding program, the organizational designations OPER and USES are used throughout this paper, even when the names of their predecessor agencies were different.

2.0 HISTORICAL SUMMARY

The history and evolution of the bonding program can be divided into three phases: the program origins, the design phase, and the implementation phase. The key events in each of these phases are summarized in this section of the paper. These events are described in greater detail in Sections 3, 4 and 5 respectively. An overview of these events and their interrelationship with other developments in Department of Labor manpower policy is presented in Exhibit 2-1 on pages 15 and 16.

2.1 The Origins of the Bonding Program

Department of Labor manpower planners began serious consideration of a federally funded program to provide fidelity bonding for ex-offenders in early 1965. Initial inquiries into the need for such a program were made by the OPER Division of Manpower Program Planning (DMPP); the results were considered sufficient to justify moving ahead with an experimental and demonstration (E&D) project.

Although the Department already had broad enough authority to proceed with such a project, the Secretary of Labor made a point of directing Congressional attention to the bonding problem and sought a specific legislative authorization to give it prominence. Accordingly, the Departmental draft of the 1965 amendments to the Manpower Development and Training Act (MDTA) of 1962, included a section which directed a "Trainee Bonding Demonstration Project" to be conducted. This draft was submitted in February, 1965, and was received favorably by both the House and Senate committees.

The draft amendments were enacted into law in April, 1965. Section 105 of the new legislation, entitled "Trainee Placement Assistance Demonstration

Projects", directed the Secretary of Labor to

> ...develop and carry out experimental and demonstration projects to assist in the placement of persons...who after appropriate counseling have been found by the Secretary to be qualified and suitable for the employment in question, but to whom employment is or may be denied for reasons other than ability to perform, including difficulty in securing bonds for indemnifying their employers against loss from the infidelity, dishonesty, or default of such persons.*

2.2 The Design Phase

With the passage of the 1965 amendments, the responsibility for designing a bonding program to implement Section 105 was assigned to the OPER Division of Manpower Program Planning. A DMPP staff paper issued in September, 1965 made the following basic recommendation: "that the Manpower Administration enter into a contract with a bonding company which operates nationwide to provide uniform coverage to all the individuals who are to receive placement assistance under the program." Other recommendations included the following:

- The master bond would cover those individuals selected by the State Employment Security Agency pursuant to Manpower Administration policies and instructions without...screening of individuals or employers by the bonding agency.
- Administration of Section 105 (should) be delegated to OPER (and that OPER should)... design the overall pilot bonding program and develop and issue, in consultation with appropriate bureaus, instructions for participating in the activity.
- State employment security local offices which have suitable unemployed applicants...(should) submit through regular administrative channels requests for an allocation of an appropriate number of bondee slots. E&D contractors or other agencies (should) request allocation of bondee slots directly from OPER.

Following the acceptance of this basic program design, the DMPP staff collaborated with the United States Employment Service (USES) and Office of the Assistant Secretary of Labor for Administration (OASA) staff in the development of specific program guidelines and the procurement instrument respectively.

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*The full text of Section 105 is contained in Appendix A.

These documents--Manpower Administration Order (MAO) 2-66, specifying the guidelines, and Invitation for Bids (IFB) 66-17, specifying the contractual terms--were issued in February, 1966.

A single response to the procurement was received in March. This bid involved an offer by the United Bonding Insurance Company of Indiana (and its agent, the Washington-based McLaughlin Company) to supply units of bonding coverage of $500 per month at a rate of $5 per unit.*

The single bid by United Bonding was considered excessive, and so the IFB was transformed into a negotiated procurement. Negotiations between the Department and United Bonding resulted in a lowering of the proposed premium to $1.75, and a contract between the two was signed shortly thereafter.

2.3 The Implementation Phase

2.3.1 Bonding as an E&D Project

Following the signing of the contract with United Bonding, OPER and USES staff collaborated in the selection of initial sites for the program, development of a program reporting system, and training of local service deliverers ("Sponsors") in their program responsibilities.

By June, 1966, the program was operational in ES offices in New York City, Chicago, Los Angeles, and Washington, D.C., and in six E&D projects--four in these cities and two in correctional institutions.**

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*A bonding unit was defined as $500 of coverage for a period of one month. In other words, $1000 coverage for one year would have been the equivalent of 24 units of coverage. As is discussed in Section 4, calculation of bonding premiums on the basis of units used provided the Department with considerable flexibility in administering the program.

**The six projects were the Mobilization for Youth project in New York City, the Job Opportunities through Better Skills (JOBS) project in Chicago, the Economic Youth Opportunities Agency in Los Angeles, the United Planning Organization in Washington, Project Challenge at Lorton, Virginia, and the Draper Correctional Center at Elmore, Alabama.

Requests from other cities for participation in the program were received by OPER staff within months of its initial implementation. Bonding was made available in Kansas City in October, 1966, and in San Francisco in November of that year, but not in other cities which had also expressed interest.

In February, 1967, decisions were made to expand the program to the designated target cities of the President's Committee on Manpower (PCOM)--the future CEP I sites--and to cover all ES offices in the states of New York, Illinois, California and Missouri.

In addition, a commitment was made to expand the program by providing bonding to participants in the so-called "Section 251" inmate training projects which were being planned and implemented in 1967 and 1968.* This expansion, which took place in September, 1969, and the addition of a few other cities which had been included prior to that date, led to a set of Trainee Placement Assistance Demonstration Projects which covered all parts of the country. By the close of 1969, there were bonding projects in 51 cities in 29 states, 6 of which were statewide, and in the District of Columbia.

During the five-year period in which the bonding program was an E&D project, a number of significant modifications in program design occurred. In 1969, for example, the United Bonding Insurance Company agreed to a 60% reduction in the bonding premiums, from $1.75 per bonding unit to 70 cents per unit. In 1970, United agreed to an OPER request to accept responsibility for covering bonding

*The 1966 amendments to the Manpower Development and Training Act included a Section 251 which authorized the Secretary of Labor to "develop and carry out experimental and demonstration programs of training and education for persons in correctional institutions who are in need thereof to obtain employment upon release." The ensuing inmate training projects were therefore known as Section 251 projects. For a fuller history and evaluation of these projects see An Evaluation of MDTA Training Correctional Institutions, Abt Associates, 1971.

program participants after eighteen months in the program if the employers of these bondees could make no alternative arrangements and if they were specifically asked to do so by the bonding Sponsor.

In addition, the Department received a number of reports from individual bonding projects and the McLaughlin Company which gave important indications of bonding program usefulness. A report covering several months in one State indicated that for each person bonded under the program, there were eight others whom the State Employment Service had placed without having to write a bond, merely because the prospective employer was told that the job applicant could be bonded if the employer really thought it necessary. A number of Sponsors reported instances in which bonding underwriters agreed to some modifications of previously rigid exclusionary policies.

Department of Labor administrators found it to be particularly significant that the number of bondees for whom claims were paid, as a percentage of the total number of bondees--the "default rate", was never above two percent. This was a positive feature considering the fact that the program was serving the presumably "high risk" rejects from standard fidelity insurance coverage.

2.3.2 Bonding as a National Program

It was the intention of the bonding program designers to develop an experimental and demonstration program which would test the feasibility of one approach to providing fidelity bonding to individuals who could not ordinarily get such coverage, due to exclusionary insurance policies. In general, E&D projects were considered to be of limited duration; either they would prove their usefulness and become incorporated in ongoing manpower programming or they would be terminated to make way for additional E&D efforts. With the passage of time, a conviction grew within the Department of Labor

that the bonding program was indeed demonstrating that some employers would hire persons with a police or criminal record when they found out that the Department of Labor would provide the bonding coverage, and that this coverage could be provided without excessive cost or administrative burden. As a result of these and related considerations, the decision to "go national" with the program was made in the summer of 1970. The decision was announced in United States Training and Employment Service Program Letter (TESPL) 2624, dated January, 1971.

As described in TESPL 2624, the transition to a national program had little impact on the way the program was carried out. Although the National Office administrative responsibility was transferred from OPER to the USES Division of Placement, the responsibilities of State and Local Employment Service Officers remained virtually identical to those of jurisdictions with Statewide sponsorship in the past.

In view of the fact that bonding was no longer an E & D project, the term Trainee Placement Assistance Demonstration Projects was abandoned. Instead, the program became known as the Federal Bonding Program.

In 1971, the United Bonding Insurance Company lost its certification to do business with the Federal Government, and its contractual obligations were assumed by the Indiana Bonding and Surety Company. No modification in program structure or operations resulted from this change.

In 1972, the Department decided to assess the acceptance of the bonding program by the insurance industry, and again opened the program to competitive bidding through a second procurement. RFP L/A 72-73 was issued in April, 1972.

Once again, there was only a single bidder. The bidder in this case was the Summit Insurance Company of New York, with the McLaughlin Company serving as their agent. The new contract was executed on June 30, 1972.

It was virtually identical to the first one, except for the inclusion of a more specific work statement, increased reporting requirements, and an increase in the premium from 70¢ to 85¢ per bonding unit. The increase was based on some statistics presented in the reply to the RFP which showed an increase in paid wages for 1971.

Bonding assistance is recognized as a type of manpower service which Prime Sponsors are authorized to provide under the Comprehensive Employment and Training Act of 1973 (CETA); however, the design and administration of the program have remained unchanged by this legislation since bonding coverage for ex-offenders has been seen as unobtainable at the Prime Sponsor level. Departmental staff are still considering the implications of the shift from categorical programming to manpower revenue sharing for the future administration of the bonding program.

Exhibit 2-1

Historical Overview:

Evolution of the Bonding Program

	Bonding Historical Events	Other Department of Labor Manpower Activities
1962		Passage of MDTA
1963-64		Implementation of MDTA projects; feedback on placements. Initial inmate training projects.
1965	Initial consideration of bonding initiatives by Departmental officials. Passage of Section 105 of MDTA. OPER Planning Paper on bonding.	Secretary's Task Force Report calls for reorientation of ES. OPER Staff Paper recommends major expansion of inmate training. HRD concept introduced in speech by Secretary.
1966	Initial procurement; one response, by United Bonding Insurance Company. Initial implementation of bonding in 4 ES offices and six E&D projects. Expansion to two more cities.	Beginning of effort to implement HRD concept in ES offices. Passage of 1966 amendments to MDTA, including Section 251 authorization of E&D inmate training.
1967	Expansion to CEP I cities. Expansion to statewide operation in four States.	Implementation of CEP in 20 urban and two rural sites begins.
1968	Limited expansion of program continues. Completion of paper providing an analysis of first year's experience with the program.	Implementation of Section 251 Inmate Training Projects begins.

Exhibit 2-1 (cont.)

	Bonding Historical Events	Other Department of Labor Manpower Activities
1969	Lowering of premiums from $1.75 to 70¢ per bonding unit. Expansion to all "251" Inmate training projects. Consideration of expansion to CEP II and NAB-JOBS cities.	Presidential submission of manpower reform legislation as part of "New American Revolution." Evaluation reports on HRD show limited progress in ES reorientation. Expansion of CEP's to 76 sites. Implementation of NAB-JOBS projects begin.
1970	ES commitment of $100,000 of MDTA Title II funds to Bonding. Decision to expand program to nationwide status.	Congressional passage and Presidential veto of Employment and Manpower Act of 1970, including provisions for bonding. (Bonding was not a factor in the veto.)
1971	Bonding becomes a national program.	
1972	Second bonding procurement; one proposal submitted, by Summit Insurance Company of New York.	
1973		Enactment of Comprehensive Employment and Training Act of 1973 (CETA).
1974	Contract for Systematic Analysis of Bonding Program awarded to Contract Research Corporation.	
1975	Bonding contract with McLaughlin/Summit scheduled to expire at close of Fiscal Year 1975. *	

* Contract has been extended through Fiscal Year 1976 with a fourth insurance underwriter.

3.0 PROGRAM ORIGINS AND LEGISLATIVE AUTHORITY

The origins and subsequent evolution of the federal bonding program were profoundly affected by a major reorientation of domestic social policy which occurred in the middle 1960s. During this time, the Johnson Administration declared war on poverty and the Congress enacted a wide variety of programs designed to help the poor to help themselves.

Within the Department of Labor, these changes were reflected in a successful effort to reorient the Manpower Development and Training Act (MDTA) and a less successful effort to reorient the public Employment Service. Both changes were designed to increase the responsiveness of Department of Labor funded activity to the special employability problems faced by the economically disadvantaged. One of the important aspects of this reorientation towards the disadvantaged was the initiation of experimental efforts to develop and test service delivery models appropriate for one of the most disadvantaged segments of the population--those with criminal records.

These increased Departmental priorities towards serving the disadvantaged and those with police and criminal records were particularly critical for the three events which took place in 1965 involving the origins and legislative history of the bonding program. These were:

- The Department of Labor decision to adopt an E&D initiative in the area of fidelity bonding.
- The Department of Labor decision to seek explicit authorization for the bonding initiative through the 1965 amendments to the MDTA.
- The acceptance by the Congress of the bonding initiatives with relatively little discussion or controversy.

The circumstances surrounding each of these three events are discussed below.

3.1 The Departmental Adoption of a Bonding Initiative

The specific impetus for the adoption of the bonding initiatives came from a series of reports received by the United States Employment Service (USES) and the Office of Policy Evaluation and Research (OPER) concerning difficulties in placing MDTA trainees and other job applicants who had police and criminal records. But the fact that these reports resulted in a proposed E&D project is largely due to their timing. The reports were received and considered during a period in which the Department was devoting increased attention to the disadvantaged and to the problems of offender rehabilitation.

3.1.1 The Department and the Disadvantaged

The origins of the bonding program can be traced back to the passage of the Manpower Development and Training Act in 1962 and the subsequent modifications of that Act to serve the disadvantaged. The original focus of the Act was upon providing retraining for technologically displaced workers with long labor force attachment -- such as textile workers in New England. But it rapidly became apparent that it was not only skilled workers who were being left behind, but the unskilled, uneducated, and inexperienced job applicants as well. In the words of Stanley Ruttenberg:

> When, as Economic Advisor to the Secretary of Labor, I first became involved in manpower programs in 1963, it was already evident that we were working on the wrong woodpile...
>
> The problem was at the bottom of the labor barrel, not at the top...
>
> MDTA did not give us what we needed to cope with the really serious employment problems facing the nation, namely youth unemployment and the exclusion of the disadvantaged from effective competition in the labor market...*

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*Ruttenberg, Stanley, Manpower Challenges of the 1970s, Johns Hopkins Press, pp. 12-13.

In response to this growing recognition, new legislation was introduced into the Congress which changed the focus of MDTA and which created new manpower programs directed to serving the disadvantaged. Some of these were assigned to the Department of Labor; responsibility for others was given to the Office of Economic Opportunity and the Department of Health, Education and Welfare. By 1964 and 1965, the need for effective programming for the disadvantaged had become clear. It was not yet clear at this time which federal agency would be given the primary assignment -- and hence the funding -- to play the lead role in the overall effort.

From the Department of Labor point of view, there was a wide variety of services which could be provided to the disadvantaged in order to help them improve their economic condition through better jobs. Bonding was just one of them. Within this context, the bonding initiative appeared to have unique promise in that it included a clear employment payoff, and thus might provide a concrete example of the kind of service which the Department was committed to provide to the disadvantaged job-seeker.

3.1.2 The Department and Offender Rehabilitation

The initiation of the federal bonding program took place in the midst of what Dr. Roberta Rovner-Pieczenik has described as "a quiet revolution" in manpower policy, the introduction of experimental, demonstration and research projects which were aimed at tapping offenders and ex-offenders as an unused manpower resource.

Under the 1963 Manpower Administration Order (MAO)14-63, prisoners were not considered to be eligible for MDTA manpower services:

> Since a person confined in a penal institution is neither able to work nor available for full-time employment, he should properly be disqualified as a potential trainee.*

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* Inmate Training Programs: Review and Analysis of its Legislation and Administration, Abt Associates, 1969.

However this restriction was later loosened and re-interpreted. By the time the first bonding initiatives were taken, the Department had already funded three major inmate training research projects: the Riker's Island Restoration of Youth through Training (RYT) project, Project MORE (later known as Project Challenge) at the Lorton Youth Center in Virginia, and the Draper Project at Elmore, Alabama.*

Support for offender rehabilitation programs within the Department continued to grow as the initial projects appeared to show that the inmate training approach was viable. This support was formalized in a December, 1965 OPER staff planning paper entitled "A Proposal to Provide Training and Guidance under MDTA to Prison Inmates."**

Among other things, this paper called for:

- Departmental preparation of legislative proposals to authorize a comprehensive federal vocational training and guidance program for prison inmates.
- Planning for an E&D pilot program to provide inmate training services to approximately 10,000 inmates in 65 or more projects.
- Inclusion of special job development and placement activities in these E&D projects...

The intra-Departmental focus for these activities was the Office of Policy, Evaluation and Research in which the bonding proposals were being drafted. While the bonding initiatives could have been wholly justified on their own, they were undoubtedly strengthened by their parallelism with other OPER offender manpower research and demonstration projects, especially in terms of OPER's emphasis on "special job development and placement activities."

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*A Review of Manpower R&D in the Correctional Field (1963-1973), Manpower Research Monograph No. 28, 1973.

**This planning paper was issued just three months after the bonding program planning paper. Its issuance also coincided with the 1965 Employment Service Task Force Report discussed in Section 4 below and the first public discussion of the HRD concept.

3.1.3 The Initial Impetus

It is difficult to identify the Department official(s) who first put bonding on the E&D agenda. But although the names of the officials vary from one person's account to another's, the basic story remains the same. The specific impetus for the development of a bonding program resulted from a growing awareness in the United States Employment Service and the Office of Policy Evaluation and Research of the difficulties involved in placement of MDTA trainees and other job applicants who had criminal records.

This awareness was strengthened by the following kinds of data (each of which was advanced by one or more sources as the impetus for the program):

- Indications in reports from MDTA institutional training projects that it was difficult to place trainees in certain jobs because certain employers required fidelity bonding for these positions and ex-offenders were not considered eligible for such coverage.

- Conversations between USES National Office staff and State and local staff relating to the difficulty of placing ex-offenders due to the impossibility of securing fidelity bonding coverage for them.

- A report of the Riker's Island inmate training project which indicated that large numbers of offenders had been trained as computer operators only to discover that they were not eligible for jobs in financial institutions--a major employer of computer operators--because these institutions required their employees to be bonded, and ex-offenders could not be bonded.

- The results of a survey taken in the Cardozo area of Washington, D.C. which showed that of 5,100 disadvantaged job applicants in that area, 85% of the males and 10% of the females had police records. One conclusion of the Cardozo study was that it might be useful to establish a program to grant bonds to people with police records so that the problem of exclusionary insurance company practices would be eliminated as a barrier to employment.

Given the increasing priority for serving the disadvantaged and the ex-offender, these data were given considerable attention by OPER staff at the division chief level. In early 1965, a decision was made to conduct a short study to "look into what can be done about bonding."

This assignment was given to the OPER Division of Manpower Program Planning (DMPP). The DMPP investigation was primarily based upon review of existing data such as the Cardozo study. Although no additional data was collected concerning the extent to which bonding was a barrier to the employment of large number of ex-offenders, a decision was reached to recommend initiation of an E&D project to (a) further explore the extent to which bonding requirements were a major barrier to the employment of ex-offenders and to (b) test the feasibility of at least one method of overcoming this barrier.

The initial DMPP staff study recommended inclusion of the proposed E&D bonding project in a legislative package then being prepared for submission to the Congress. The reasons for this recommendation and discussion of its adoption by the Department are contained in Section 3.2 below.

3.2 The Department of Labor Decision to Seek Explicit Authorization for Bonding in the 1965 MDTA Amendments

There was no obvious need at this point for drafting an explicit authorization for bonding activities as part of proposed legislation. The Department of Labor had already conducted numerous experimental and demonstration (E&D) activities without specific legislative direction. Moreover, the proposed amendments to the MDTA being developed in early 1965 included a specific authorization for E&D activities which was broad enough to have included the proposed bonding project. As enacted, Section 102 (6) of the MDTA provided the Secretary of Labor with authority to:

> Establish a program of experimental, developmental, demonstration, and pilot projects...for the purpose of improving techniques and demonstrating the effectiveness of specialized methods in meeting the manpower, employment, and training problems of worker groups such as the long-term unemployed, disadvantaged youth, displaced older workers, the handicapped, members of minority groups, and other similar groups... *

Nevertheless, the decision was made to draft a proposed new Section 104 of the Manpower Development and Training Act which explicitly authorized experimental

* The full text of Section 102 is included in Appendix A to this paper.

and demonstration bonding activities. According to the Departmental officials with responsibility for legislative development at this time, there were three reasons for seeking an overall direction and an explicit authorization for bonding (and for additional projects in the field of labor mobility):

- A separate authorization would dramatize the commitment of the Department to such activities at a time when Departmental priorities were shifting.
- A separate authorization would provide an opportunity for explicit Congressional endorsement of these new priorities.
- A separate authorization would provide the project with an independent funding base; in other words, the authorization for funds for these projects in the legislation would free the projects from having to compete with other Departmental E&D activities for limited resources.

The proposed Section 104 authorizing an experimental and demonstration bonding project was presented to the relevant committees of the House of Representatives and the Senate by Secretary of Labor Willard Wirtz on February 4 and February 9, 1965, in his testimony on the overall legislative package. The language of the proposed section was accepted virtually without change by the Congress.

3.3 Legislative Approval of the Bonding Initiatives

The Congressional reaction to the proposed bonding initiatives was highly positive. Specific comment relative to bonding occurred only rarely in testimony before the House and Senate Committees; reference to bonding in either the committee reports or Congressional debate was similarly limited. The proposed Section 104 was adopted with only two minor changes in the draft language prepared by the Department. The Section was re-numbered from "104" to "105" and the title changed from "TRAINEE BONDING DEMONSTRATION PROJECTS" to "TRAINEE PLACEMENT ASSISTANCE DEMONSTRATION PROJECTS". (Despite this apparent broadening of intent, there was never any significant activity funded under this authorization other than the federal bonding program.)

The relatively easy acceptance of the bonding initiatives by the Congress can be explained on at least three grounds:

- The overall popularity of the MDTA program with the Congress.
- The relatively minor role which the proposed bonding activities played in the overall legislative package.
- The explicit limitation of the authorized activities to a two-year demonstration program.

Each of these is discussed below.

Congressional reaction to the proposed bonding program and all other accompanying aspects of the proposed 1965 amendments to the Manpower Development and Training Act was positive because of the popularity of MDTA with Congressmen at all points in the political spectrum. Garth Mangum has described the Senate and House hearings on the 1965 MDTA amendments as a "love-in," noting that "there were no basic criticisms of the program from either witnesses or minority members."* In response to these feelings, the majority of the amendments to the MDTA in the mid-1960's were passed by voice vote, but when roll calls occurred, the amendments usually passed with votes such as 392-0 and 361-0.**

The bulk of the Congressional attention to the proposed 1965 amendments was directed to aspects other than the proposed bonding projects. As indicated above, the primary thrust of the mid-1960's amendments to the MDTA involved reorientation of the basic training activities which expended the bulk of MDTA funding to increase their responsiveness to the needs of the disadvantaged. Much of the attention paid to the 1965 amendments was focused upon such aspects as easing the limitations on youth participation in training activities and doubling the permissible length of training projects from one year to two.

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* MDTA: Foundation of Manpower Policy, p. 26.

**Evaluation of the Comprehensive Model for Local Service Reorganization (COMO) of the U.S. Training and Employment Service, Joanna Kennedy, Hal Shear, Lawrence Bailis, et al, Vol. II, p. 526.

The authorization of demonstration projects for bonding ex-offenders was thus a relatively minor, relatively uncontroversial, relatively inexpensive aspect of a major redirection in manpower legislation. Despite the focus upon bonding in this paper, it should be remembered that the bonding program never held center stage in Departmental manpower planning activities or in Congressional consideration of these activities.

The few direct references to bonding in Congressional testimony and debate generally focused upon the experimental nature of the proposed activity. The following excerpt from the Report of the Senate Committee on Labor and Public Welfare on the 1965 amendments is typical:

> The Committee recognizes the need for placement and bonding assistance to rehabilitated trainees with criminal records. However, the authorization for trainee bonding and other placement assistance is understood by the committee to be strictly experimental because such projects have not been tried heretofore. The funds for such projects are limited to $500,000 over the next two fiscal years.*

The additional minority views of one Senator, which were attached to this report, generally echoed the majority statement but expressed a feeling that the bonding initiative--along with the others contained in this Act--needed to be evaluated after the two year trial period. The Senator was particularly concerned with the effectiveness of the bonding projects.

The discretion given the Secretary of Labor in the conduct of the bonding experiments was rather broad; the Congress was aware of this breadth and fully endorsed it, so long as it was understood that it was an experiment:

> The bill directs the Secretary to carry out, during a period ending June 30, 1967, special experimental and demonstration projects to assist, particularly, the placement of MDTA trainees with police records. Limits of $200,000 for fiscal 1966 and $300,000 for fiscal

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* Senate Report No. 123, 89th Congress, 1st Session, Manpower Act of 1965, March 12, 1965, p.7. Virtually identical language was used by the chairman of that committee in explaining the bill to the Senate four days later. See, for example, his description of bonding in the Congressional Record, Senate for March 16, 1965, p.5064.

1967 are set on the funds that may be appropriated for these projects...

> The language of this provision of the bill is broad enough to allow the Secretary both to select other persons than MDTA trainees for participation in these projects and to carry out projects to assist in the placement of persons who are having difficulty in employment for reasons other than a record of past encounters with the law. However, it is expected that the greater part of the funds appropriated for these special projects will be expected to help meet the costs of securing bonds for persons with police records who have successfully completed MDTA training courses, but whom employers are unwilling to hire unless bonding can be provided.*

In short, the bonding initiatives were accepted without much controversy because they represented a relatively minor segment of a highly popular legislative package. Any questions which might have been raised about the wisdom of the endeavor were satisfied by the explicit experimental nature of the initiatives, and the strict limitations upon the funding level and period of time for which the experiment would be authorized.

The complete text of Section 105 of the MDTA which initially authorized the bonding program is included in Appendix A to this paper.

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* House Report No. 170, 89th Congress, 1st session, Manpower Act of 1965, March 15, 1965, pp. 11-12.

4.0 THE DESIGN PHASE

The evolution of the bonding program was shaped by a number of key events which took place in the period between the enactment of the 1965 amendments to the Manpower Development and Training Act which authorized the program, and the March, 1966, signing of the contract with the United Bonding Insurance Company which provided the vehicle for its implementation. These events included:

- Adoption of a basic program structure
- The judgement that it was not appropriate or feasible to develop a "formal" experimental design
- Specification of program eligibility criteria
- The development of an adminstrative structure and system of service delivery agents involving USES and OPER on the national level, and ES Local Offices and E&D projects on the local level
- The development of a procurement document and resolution of key issues with respect to contents of the proposed contract
- The decision of 237 of 238 eligible insurance underwriters not to participate in the bonding procurement; the decision of the United Bonding Insurance Company to bid
- The negotiation of a contract when the single bid was judged to be unacceptable.

This section analyzes each of these events. First, each event is examined individually in order to discern the immediate factors which help to explain it. Secondly, wherever possible, these factors are related to broader issues which underlie many of the more immediate factors. Examples of these broader issues include the policy environment in which the program was designed and the nature of the relationship between the Department of Labor and the fidelity bonding industry.

4.1 Adoption of Basic Program Structure

The legislative authorization for the Trainee Placement Assistance Demonstration Projects was broad, leaving the Department with substantial

discretion concerning the overall structure of the bonding program. Initial responsibility for program development was assigned to the OPER Division of Manpower Planning (DMPP).

The results of the ensuing investigation of the need for a fidelity bonding program and the appropriate structure for that program were summarized in a DMPP staff paper, "Pilot Bonding Program to Be Conducted Under Section 105 of the MDTA, as Amended." The basic recommendations of that paper were:

- The Manpower Administration (should) enter into a contract with a bonding company which operates nationwide to provide uniform coverage to all individuals who are to receive placement assistance under the program.

- In view of the essentially experimental nature of this undertaking and the need for centralized balance and control to assure the variety of experience needed . . . adminstration of Section 105 (should) be delegated to OPER . . .*

Although they tended to reject the term "project objectives," the OPER planners did have a number of premises in mind when they were making the basic design decisions. In particular, they hoped to design a project which would accomplish the following results:

- Provide some indication of the scope of the barrier to employment created by exclusionary practices of the fidelity bonding industry.

- Provide some indication of the viability of at least one approach to overcoming this barrier. It it were proven viable, the approach could then be implemented as (part of) an operational program.

- Provide enough data concerning the default records of program participants to permit comparisons with individuals covered by standard commercial bonding. If it were shown that program participants were as trustworthy as other employees, this information could then be utilized in efforts to persuade fidelity bonding underwriters to abandon their exclusionary practices; it could also be used to persuade employers to modify restrictive hiring practices. If it were found that losses from program participants were higher than average, data could be developed

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* "Pilot Bonding Assistance Program to be Conducted under Section 105 of the MDTA, as Amended," U.S. Department of Labor, Manpower Administration, Office of Manpower, Automation, and Training, September 3, 1965. This entire paper is contained in Appendix A.

for establishing a higher premium schedule for such bondees, for employers to pay if they were willing, or for the government to pay if necessary.*

Given these expectations, the OPER planners could have adopted a number of basic program structures. In all, four options appear to have been considered during this period:

- A self-insurance program wherein the federal government would directly reimburse employers with valid claims.
- Provision of subsidies to employers who had to pay higher premiums to cover bondees with criminal records.
- Ad hoc agreements entered into by local Sponsors with local agents and brokers for major underwriters.
- A master contract with a nationwide underwriter to cover all program participants.

The OPER planners concluded that the last of these four options, the nationwide master contract, would be best. This choice was made in large part because of assumptions by the planners relative to the practices and attitudes of the fidelity bonding industry. Most of these presumptions were accurate, but some of the program design decisions were made on the basis of an incomplete understanding of the industry.

Thus, for example, the program planners had originally favored the "subsidy to employers" approach. This approach was based upon the assumption that the premiums for fidelity bonding were calculated upon the degree of risk involved for individual bondees. According to this reasoning, insurance underwriters would be willing to take on bondees with arrest records if they were paid higher premiums, and employers would be willing to cover these individuals as long as the federal government subsidized the premiums so that the "high risk" bondee cost the employer no more than did anyone else.

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* This list of expectations has been derived from interviews with OPER and USES staff, and from review of bonding program documents.

Initial contacts with insurance experts, however, soon convinced program planners that this approach was unsound. The problem was not additional premiums; it was that most insurance underwriters refused to cover those with police and criminal records in their standard "blanket" bonds through which all employees of a firm are generally insured. If an employer wanted to cover an ex-offender, he would, in general, have to negotiate a separate bond for this individual. Thus the employer would not face an incremental premium payment; instead, he would have to pay the entire new premium.

In short, the standard insurance practice was not to cover a higher risk bondee with a higher premium; standard practice called for avoiding covering high risk individuals altogether. The "subsidy to employers" approach was therefore rejected as irrelevant to the insurance industry practices.

The alternative of providing bonding coverage through ad hoc contracts with local underwriters or agents was rejected because of the presumption that "insurance companies wouldn't want to touch this kind of program" and that "there are special problems with trying to get special bonds of a small percentage of your employees who are not covered in another bonding contract." Given this presumed negative attitude towards the program on the part of most underwriters, it was concluded that it would be difficult to get industry participation at all. It would be even more difficult to get underwriters to modify their policies for the relatively small volume of business that any single Sponsor could provide; the ratio of additional administrative costs to possible premium income would, it was believed, make it highly unprofitable to do so.

One high level planner recently commented upon the local Sponsor ad hoc approach:

> Maybe things would have happened differently if we had set aside a pot of money to give to locals so that they could buy bonding according to federally set standards. But that seemed like the most expensive way to proceed. If we had done it that way, however, it might have been more effective in opening up the insurance industry.

It is, of course, impossible to know whether or not this alternative would have been more likely to produce breakthroughs in the insurance industry. But on the whole, the rejection of this approach appears to have been based upon a sound understanding of the practices of the fidelity bonding industry.

With the rejection of these two alternatives, the choice was between self-insurance on the part of the Department and a nationwide master contract with an underwriter to provide the required bonding services. The self-insurance alternative was rejected because of the following beliefs about the insurance industry on the part of the OPER planners:

- The insurance industry would be suspicious of any government operation bonding program.
- The insurance industry would be unlikely to accept reports about default rates from a government agency which might be operating the program under different procedures than those which are standard in the industry.
- Therefore, if the data collected in the bonding program were to be influential in leading other insurors to re-examine their exclusionary practices, it was critical to involve a private insurer as program administrator.

According to one of our sources, this alternative was also rejected because of the strong negative attitude prevalent at this time throughout the Johnson Administration towards government activity which would be in direct competition with private industry.

With the elimination of the self-insurance alternative, the Department was left with only one choice--the nationwide master contract. The details of this contract are discussed in the remainder of this section.

It should be noted that although the presumptions about the insurance industry which led to the rejection of self-insurance were plausible, their specific implications for the proposed bonding program were not always understood by the Departmental policy-makers. In the absence of more extensive contacts

with the leadership of the fidelity bonding industry, the program designers apparently failed to recognize the fact that some members of the industry were held in considerably higher regard than others. If the Department were concerned about encouraging other insurers to re-examine their practices, some underwriters would have been far more influential than others.

In retrospect, it seems possible that had any of the largest fidelity bonding underwriters taken part in the demonstration program, the impact upon the remainder of the industry might have been greater. But none of the three underwriters who participated in the program was regarded as a leader in the industry, and there is some question as to whether the major insurers would hold any of these three in higher regard than a government agency engaged in self-insurance.

Had there been better communication with the leadership of the fidelity bonding industry and had this fact been better understood, the remaining design decisions discussed in this paper might have been made somewhat differently. It is impossible to know, of course, whether better communication with the industry would have affected any of the program outcomes.

4.2 Judgment that a Formal Research Design was Inappropriate and Infeasible

Although the bonding program was initiated as a demonstration project, OPER staff explicitly rejected the adoption of a formal experimental design. There were no efforts to delineate "success criteria" in advance of program implementation. Equally important, the concept of a control group was rejected as both premature and infeasible.

These decisions--which have had major implications in analyzing the performance of the bonding project--were made for several reasons. Most important, the idea of a tight experimental design was seen by most OPER staff members as contrary to the basic operating mode of the early Departmental E&D projects. Although some staff have indicated (in retrospect) that more research might have been desirable,

the majority have agreed that the idea behind E&D was (a) to test the operational feasibility of innovative approaches to manpower problems in order (b) to gain the knowledge necessary to permit incorporation of the best of these approaches into Departmental operating agencies, as appropriate. In the words of two OPER staff members:

> E&D projects do not have goals to be measured. Our mission is to explore problems and see what happens.
>
> As far as E&D is concerned, the question of interest is whether or not it worked.

This "let's implement a project and see what happens" approach still requires the collection and analysis of data. But it does not provide a straightforward framework for the analysis of program data; nor does it provide any predetermined ranking of the importance to be attached to programmatic variables.

The bonding program administrators have generally appeared to consider the data on numbers of individuals bonded, and percentage of those bonded who have defaulted, to be the most important indicators of program utility. In the absence of a more rigorous design from the outset, there is no way to provide objective assessment of the appropriateness of the emphasis of these indicators.

As described above, the Departmental E&D approach was concerned with determining the results of the bonding program, in order to assess its feasibility. The ability of the Department to make more precise estimates of the utility of the proposed approach was severely hampered by the judgment that it was both premature and infeasible to establish and track a control group.

During the design phase of the bonding program and during the early months of operational experience, some Departmental planners felt that it would be necessary to include a control group in the bonding projects in order to better estimate the impact of the provision of bonds. Thus, for example, an analysis

of the FY 68 OPER program memorandum conducted in the summer of 1966 included the following comment:

> "The pilot (bonding) program will provide operational information on the feasibility of bonding assistance and the effect on increasing employability. We assume that the experiment will include adequate control groups to enable such measurements to be made." *

This recommendation was rejected, however, because of the problems which would have been encountered establishing a control group. In the judgment of top OPER officials, it was not practical to set up a true control group using random assignments of ex-offenders to the bonding program. Beyond this, the potential errors which would be introduced in a "matched comparison group strategy" from such factors as geography, motivation, and previous skill level, were expected to be far greater than the effects of the rather modest experimental treatment. Furthermore, if the utility of the program were to be assessed for groups with varying demographic characteristics, the sample sizes would have had to be considerably larger than total anticipated participation in the program. In short, the geographic disperson of the bonding projects, the "selection" methods being utilized, and the technical difficulties involved in setting up and tracing a wholly comparable comparison group within the limited time frame for which the bonding projects were initially authorized, led to a decision not to pursue a control group strategy. According to OPER staff members, these considerations were sufficient to eliminate the possibility of utilizing a control group even without taking the cost of such an endeavor into account.

This position is amplified by the comments of a key OPER decision-maker:

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*Departmental memorandum dated July 26, 1966.

We did not choose to have a control group, but this was not from a lack of awareness of the usefulness of a control group. Instead, we rejected the idea because of limitations in our administrative capability and problems of practicality...

At the outset we had no clear understanding of the dynamics of bonding. You really can't compare a program with something else until it jells, and this takes several years. Thus you really can't talk about a control group early in the implementation of a program...

It was also difficult to conceptualize the idea of controls when the "treatment" was bonding, especially when it was important to observe the bonding treatment under a wide variety of different settings...

This sentiment was echoed by a second key administrator:

We were convinced that in any demonstration project where you have to create a program from scratch, during the first few years, all you can measure is administrative feasibility...

Finally, the idea of a control group was also rejected because it was not believed to be central to the basic purpose of the project, demonstrating the feasibility of providing fidelity bonding coverage for "high risk" populations.

The classical design for assessment of social program performance seeks to compare what happened to program participants with some measure of "what would have happened to them in the absence of the program."* The initial design decision to reject the establishment of a control group because it was premature -- and the non-institution of such a group at a later time -- have made it virtually impossible to provide such an assessment of the bonding program.

It should be stressed that the rejection of a formal research design was not unique to the bonding program. It was typical of most of the early Departmental E&D

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* See for example, the discussion of evaluation in Practical Program Evaluation for State and Local Government Officials, by Harry Hatry et al, p.39.

approaches. Thus, for example, the discussion of research methodology in the Draper Project Final Report included a section entitled "The Lack of a Rigorous Experimental Design." This section included the following statements:

> The Draper E&D project was designed as an experimental project which would break new ground in an exploratory fashion...
>
> Since so little was known about the problems which would be encountered, a rigorous experimental design using control groups was considered premature. In fact, it was believed that a rigorous design would limit the flexibility needed for exploration.*

4.3 Program Eligibility

Section 105 of the MDTA authorized the Department of Labor to explore means of overcoming the bonding barrier for

> persons seeking employment through a public employment office who have succesfully completed or participated in a federally assisted or financed, training, counseling, work training, or work experience program.

There was therefore little doubt concerning general program eligibility, but two issues remained to be decided. The first of these was the relative proportion of MDTA trainees to be served; the second was the question of whether the chosen insurer would be able to screen out certain individuals with criminal records according to criteria approved in advance.

Although there was no OPER policy statement on the first of these issues, a clear presumption emerged that disadvantaged MDTA graduates would be the primary users of the bonding program. This presumption reflected the on-going reorientation of the MDTA and the increasing Departmental commitment to provide services to the disadvantaged as was discussed in Section 3 of this paper. In addition, the presumption reflected the House of Representatives Education and Labor Committee expectation that the greater portion of the authorized funds would be expended for "persons with police records who have successfully completed MDTA training

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* The Draper Project: Final Report, 1968, p.27.

courses."*

The second issue arose during the initial contacts by Departmental planners with fidelity bonding agents who expressed interest in the program. At least one of these agents indicated that the expressed interest was contingent upon the possibility of "weeding out" certain categories of applicants.

This approach was completely rejected by Departmental planners on the grounds that it was inconsistent with the underlying concept of the E&D project--i.e. to see what would happen if the bonding barrier were wholly eliminated.

As a result, the eligibility question was resolved so that the language of the procurement document, and hence the initial contract, read as follows:

> Bond coverage hereunder shall be automatic and the Contractor may not veto or otherwise fail to accept a Bondee certified by a Sponsor for bonding coverage hereunder, notwithstanding the Bondee's past record.

This concept has continued to be in force in the bonding program to this time, with the single exception that the underwriter has always had the right to reject coverage on an individual who has previously defaulted while in the bonding program.

4.4 Program Administration and Delivery Agents

The choice of an agency within the Department of Labor to administer the bonding program at the National Office level and of local organizations to serve as "sponsors" (delivery agents) represented important design decisions which greatly affected the future evolution of the program.

As was indicated in Section 4.1 above, the 1965 DMPP paper recommended that basic administrative responsibility for the program be assigned to OPER, and this was accepted.

The paper also discussed roles for two kinds of local level delivery agents,

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* House Report No.170, 89th Congress, 1st Session, Manpower Act of 1965, March 15, 1965, pp.11-12.

each of whom would be allocated a specified number of bonding "slots." "E&D contractors and other agencies" were to request allocation of slots directly from OPER. "State employment security local offices which have suitable unemployed applicants" were to submit requests for allocation of slots "through regular administrative channels."

There were some differences of opinion within the Department concerning those aspects of the DMPP paper which discussed the degree of involvement of the Employment Service in the program. On the one hand, there was a developing consensus within OPER that, should bonding prove a viable program, it would eventually become one of the placement tools which are utilized by the more than 2400 local offices of the Federal-State Employment Service. For this reason, it was considered to be beneficial from an experimental point of view to learn about the operational problems of administering such a program through ES Local Offices. It was also considered useful on these grounds to involve the USES at the National Office level as the "regular administrative channel" through which requests for slots and other communications flowed.

On the other hand, the difficulties faced by the Employment Service in serving disadvantaged job seekers were receiving increased attention in the Department at this time. The design period for the bonding program coincided with the time in which the Secretary's Employment Service Task Force was developing and presenting recommendations calling for a major reorientation of the Employment Service, away from the role of a labor exchange and towards that of a "comprehensive manpower services center."

In December, 1965, the Task Force recommended that:

> Special efforts should be extended by the Employment Service to reach out to persons in need of specialized manpower services to improve their employability.
>
> No arbitrary limits (should be placed upon) clientele served. The

Employment service must be able to serve all classes of clientele (and not only the job-ready).*

The Human Resources Development (HRD) concept was introduced in December, 1965, in a speech of the Secretary, as the mechanism by which the recommended re-orientation of the Employment Service would take place. The basic focus of HRD was to be an effort to "improve the employability of disadvantaged persons regardless of age or other special characteristics."

Many of the elements of the HRD concept related directly to the activities of the Trainee Placement Assistance Demonstration Projects which were being designed at this time. These elements included improved outreach to the disadvantaged and provision of better job opportunities for the disadvantaged.

The early implementation activities of the bonding program coincided with the implementation of HRD. Thus, in August, 1966, a USES program letter was issued with instructions to the States to strengthen their ES programs designed to increase the employability of the disadvantaged. In 1966, a new director of the USES with a strong commitment to HRD was appointed. According to the new director, HRD meant resetting ES priorities so that "the greatest needs are met first and those who were last in everything else would receive the services of the USES first."**

But despite the plans for re-orientation of the Employment Service, some OPER planners remained unconvinced that ES Local Offices could administer the bonding program in a manner which would be flexible enough to meet the needs of ex-offenders, perhaps the most disadvantaged segment of the disadvantaged population. These planners therefore favored a relatively greater role for OPER and its E&D projects, and a relatively smaller role for the National Office USES and its Local Offices.

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* "The Comprehensive Model (COMO) in the Context of Manpower Policy," in Evaluation of the Comprehensive Model for Local Office Reorganization of the U.S. Training and Employment Service; Joanna Kennedy, Hal Shear, Lawrence Bailis, et al., Vol. II, pp.529-530.

** Ibid., pp.530-531.

It quickly became apparent that the Employment Service would play some role in the bonding program, but the nature of that role remained open to negotiation. One of the OPER planners recalls that there was no "logical organizational home for the bonding demonstration project" and that there was some "pulling and hauling" on this issue.

The basic endorsement for the bonding program had come from the highest levels in the Department, but the questions of how it would be administered remained to be resolved at the operational level:

> The basic issue at the outset was that the Secretary liked the idea and said go ahead to proceed with it...(then) the issue gets to lower levels.

One OPER official recalls that the decision to include both ES offices and E&D projects as Sponsors represented a compromise agreement devised in order to get the program moving:

> I felt that the best way to proceed was to bring the ES in, and then we'd be better off. Doing this meant that we'd lose the purity of the project, but it would be worth it to get ahead.

The decision to involve both ES Local Offices and E&D projects was justified on several grounds. Employment Service Local Offices were to be included because of the potential for using bonding as an ES placement tool in the eventual national program, if such a program were deemed appropriate. The E&D projects were to be involved for two reasons:

- E&D projects would be expected to serve different kinds of clients than ES offices; E&D projects had better ties to community groups, and therefore,
- Use of two kinds of Sponsors could be considered to be similar to using comparison or control groups in the projects.

The acceptance of a combination of ES and E&D special project Sponsors made it inevitable that the National Office administrative structure would involve some coordinating mechanisms between the OPER project administrators

and the National Office USES staff with responsibility for placement activities.

The terms of the Agreement between OPER and USES were spelled out in Manpower Administrative Order (MAO) 2-66, issued in February, 1966. According to that document, the primary responsibility for administration of the Trainee Placement Assistance Demonstration Projects and for the E&D special project Sponsors was assigned to OPER. Contact and coordination with participating ES offices was to be handled through the USES.

In particular, OPER responsibilities for the E&D phase of the bonding program included:

- Maintaining all official contacts and relationships with the bonding contractor/underwriter...
- Designing the overall pilot bonding program.
- Developing and issuing...instructions for participating in this program...
- Allocating...the appropriate numbers of bondee slots (sic) in a manner calculated to obtain the needed varieties of experience.
- Compiling, organizing and analyzing program data obtained from the bonding contractor, operating agencies and employers, and preparing reports which would provide the basis for recommendations regarding future bonding assistance programs.*

Under this agreement, the USES responsibilities involved supervision of the operational bonding program activities at ES Local Offices. An internal USES memorandum elaborating upon the MAO described these responsibilities as selection of applicants, determination of their eligibility, job development, placement and follow-up, and the preparation of reports on bonding activity in ES offices for the OPER staff.**

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* The full text of MAO 2-66 is included in Appendix A.

** The complete text of this memorandum, dated April 27, 1966, can be found in Appendix A. When the text of this memorandum is compared with that of TESPL 2624 which described the local ES responsibilities under the Federal Bonding Program, it appears as if the two listings are almost identical.

Despite the initial "pulling and hauling," extremely close working relationships eventually developed between the OPER and USES staff assigned to the project. The commitment of these individuals to the program appears to have overridden any formal division of responsibilities between their agencies, and there seems to have been informal consultation on virtually all aspects of bonding program activities. These personal relationships have been maintained beyond the period when these individuals held specific responsibility for the bonding program, thereby providing the current administrators with an unofficial set of advisors who still play a role in decision-making.

4.5 Development of a Procurement Document

With the development and acceptance of the basic design and administrative structure, it was necessary to translate these concepts into a legal document which would serve as the contract between the Department and the insurance underwriter which would supply the bonding services. This work was carried out in late 1965 and early 1966 by a team of officials from OPER and the Office of the Assistant Secretary of Labor for Administration (OASA). OASA was involved because of its experience in contracting for the purchase of goods and services for the Department, including various forms of insurance for previous Manpower Administration projects.

Although input from OPER was received throughout this period, the final terms of the procurement document were drafted by OASA staff. OASA has maintained a role in the history and evolution of the program to this date through its continuing responsibility for administration of the bonding contracts between the Department and its selected underwriters.

Among the significant procurement issues to be resolved were the nature of the procurement, eligibility to bid, the accounting units to be

employed, the maximum number of units per bondee, the maximum and minimum amounts of bonding coverage to be purchased, and the length of the contract.

Although there were differences of opinion concerning these issues between some OPER and OASA staff, none of them reflected deep differences over the structure of the program. Instead, they represented differing agency reactions to the challenge of developing a procurement to cover a situation in which there was no previous experience to guide future actions. For the most part, OPER staff wished to keep the document as flexible as possible, given the experimental nature of the projects. OASA staff, on the other hand, were concerned with developing and negotiating as "tight" a contract as is possible, in which the responsibilities of each party were clearly spelled out.

The rationale for each of the resulting procurement decisions is summarized below.

4.5.1 Nature of the Procurement

Once it was decided that a master contract would be entered into with a single insurance underwriter, there were three ways in which this could have been arranged:

- Negotiation of a sole source contract
- Issuance of a Request for Proposals (RFP)
- Issuance of an Invitation for Bids (IFB)

The Department eventually decided upon the third of these alternatives, the IFB, because of problems with the other two approaches. According to federal procurement regulations, sole source contracts can only be considered when there is an "outstanding candidate," a potential contractor which is clearly superior to other potential bidders. The novelty of the "bonding unbondables" approach was a major factor in eliminating any chance of a

sole source proposal. No one had any extensive experience with such a program, and a decision was reached to eliminate further consideration of sole source activities because "we could not identify a clear and present company which was superior."

The decision to choose an IFB rather than an RFP for the procurement was made explicitly because of the lack of previous actuarial experience with "bonding unbondables." Without this experience there would not have been any "objective criteria which could have been used to compare, for example, two bids, each with different money prices and different coverage limitations." An IFB was therefore considered the appropriate vehicle for the procurement. This meant that all elements of the statement of work were considered to be beyond negotiation, and the winner would be chosen on the basis of the lowest acceptable bid.

There is no way of knowing whether the utilization of the less flexible IFB discouraged potential bidders from participating in the procurement. As is described in Section 4.6 below, there was only a single response to the IFB. But it should be noted that when the bonding program came up for bids again, in 1972, an RFP was utilized instead of an IFB. The result was the same; only one underwriter decided to bid.

4.5.2 Eligibility to Bid

Federal procurement regulations prescribe the widest possible dissemination of information concerning a procurement, but also allow discretion in determining criteria for qualification of bidders. The Department of Labor bonding program planners do not appear to have seriously considered imposing any qualifications upon the respondents to the procurement other than their legal qualifications to conduct business with the federal government. Eligibility was therefore defined to include all 238 firms on the

Treasury Department's list of approved underwriters who were able to provide uniform bonding coverage on a nationwide basis and copies of the IFB were sent to each of them.

It has been suggested by a number of underwriters that broad dissemination of the IFB was itself a factor in restricting the range of possible responses. According to these sources, major underwriters often feel a disinclination to engage in competitive bidding against some of the more risk-prone members of the industry.

4.5.3 Accounting Units

At first, planning for the bonding program proceeded on the basis of bonding "slots," coverage for a given bondee at a rate of $2500 for one year. The concept of a slot was widely used in the Department for other programs, and it was naturally applied to this one as well. Thus, initial projections were that the Section 105 authorization would cover about 1700 bonding slots, that is, 1700 bondees could be covered for one year at a level of $2500 of coverage.

In drafting the IFB, OASA staff rejected the concept of "slots" for several reasons. First of all, it was considered inflexible; what would happen, it was asked, in those cases in which the bonding took place for less than twelve months? Would the total yearly premium be lost? OASA staff raised additional questions about the slot concept as well. Thus, for example, wasn't the $2500 cover per year envisaged in the slot concept too high in some cases? Too low in others?

Because of these problems, OASA determined that it would be necessary to create a new accounting unit to provide a "common denominator" for various levels of bonding coverage and various amounts of time. Such a

common denominator would permit billing the government only for those units of bonding which were in fact used, thereby introducing additional flexibility into the program and reducing costs. The common denominator developed by OASA was labelled a "bonding unit" and was defined to mean $500 worth of coverage for a period of one month. (Thus, $1000 of coverage for one year would require the expenditure of 2 X 12, or 24, bonding units.)

The adoption of the concept of "bonding units" provided a means of relating total government cost to level and duration of coverage. The use of bonding units did not seem to create any major problems for the Department of Labor underwriter/contractors, but it did introduce a term which was unfamiliar to the leadership of the fidelity bonding industry. It is impossible to assess the trade-off between the improved precision gained from the use of bonding units and the apparent result that it helped convince insurance industry officials that the proposed procurement was unnecessarily complicated from an administrative point of view.

4.5.4 Maximum Coverage Per Bondee

In the absence of comprehensive information concerning the demand for bonding, Departmental planners believed that there was a danger that the total appropriation for the program might be used up too quickly to permit assessment of the program. For this reason, a maximum coverage of 10 bonding units per bondee ($5000 per month) was adopted. This figure was chosen because it was considered sufficient to permit placement of bondees in acceptable jobs while at the same time "rationing" the amount of units so that a maximum number of individuals might participate in the program.

4.5.5 Maximum and Minimum Amounts of Units Purchased

The bonding IFB fell into the technical category of an "indefinite quantity contract." This meant that the government could not specify in advance precisely the number of bonding units it wished to purchase in

a given period of time. In such cases, unless the supplier is given limits--maximum and minimun amounts of purchase--the lack of knowledge must be treated as a contingency which the supplier must raise his costs to cover. Specification of maximum and minimum amounts of purchase thus serves as an aid to the supplier in making a reasonable bid, thereby lowering costs to the government in the long run.

Consequently, the first IFB contained a maximum purchase limit of 300,000 bonding units and a minimum of 100,000 units. As is described in Section 5 below, the slow pace at which the bonding program got underway resulted in a total purchase of units significantly below the 100,000 limit at the time of the original expiration of the contract. Had it chosen to do so, the contractor could have exercised the "minimum purchase" clause. Instead, an agreement was reached to extend the life of the contract to permit the government to utilize the units for which it was already committed to pay. This decision permitted continuation of the bonding program and was judged to have been in the interest of both the Department and its contractor.

4.5.6 Period of Performance of the Contract

There was no real decision to be made here. The IFB provided for a contract to run as long as the bonding projects were authorized by Congress. They were originally to expire on June 30, 1967. The Congress authorized extensions of the bonding projects two times subsequent to the 1965 amendments. In both cases, the Department responded by extending, with or without money, the bonding contract. The contract was further extended when authority for bonding was drawn from Section 102 (6) of the MDTA, the E&D section, without any time limits on authorization. The last of the contract extensions carried the contract through July 31, 1972, at which time

the selected bidder from a second procurement took over responsibility for the program.

4.6 The Single Response to the IFB

The bonding program IFB was issued on February 11, 1966. When the bids were opened on March 16, it was discovered that there was only one bidder. The United Bonding Insurance Company of Indiana, represented by the Washington, D.C.-based McLaughlin Company as agents, submitted a bid of $5 per bonding unit. This bid was considered to be unacceptably high. The reasons for the single bid are explored below; the response to the single bid is presented in Section 4.8.

The lack of response to the IFB could be explained on two grounds. Either the members of the industry were unaware of the procurement or they decided not to participate. Since copies of the IFB were sent to all eligible bidders, it seems unlikely that the former explanation is accurate; furthermore, sources in leading insurance firms have indicated that they were at least aware of the bonding initiatives.

Therefore, the basic question is "why did all but one insurance underwriter choose not to respond?" A number of explanations have been advanced to explain these choices -- by both insurers and Department of Labor staff.

4.6.1 The Insurance Industry Perspective

Insurers have indicated that they were not interested in participating in the IFB for several reasons. Perhaps the most important was a negative attitude toward the basic requirement of the contract, that the chosen underwriter agree to accept all job seekers without having the opportunity to exercise individual judgment.

According to the leadership of the fidelity bonding trade associations, the concept of fidelity bonding coverage to applicants without any screening was not only unprecedented in Department of Labor manpower programming, but it

was antithetical to the basic premise of fidelity bonding, which was to "weed out" potential risks, not to provide coverage for them. No one in the insurance industry seeks to provide coverage for those thought to present "high risks;" in general, however, the industry calculates the actuarial likelihood of loss and determines a premium structure which reflects this likelihood. But in the fidelity bonding segment of the industry, traditional practice is to reject totally those individuals who presented any discernible possibility of loss. Previous "fraudulent or dishonest behavior" is considered in the industry to be an excellent indicator of future risk, and thus serves to eliminate a potential bondee from coverage. (Fidelity bonding premiums are based upon previous loss experience within industrial classifications and on an experience rating of a firm, not on the potential risk involved with bonding any particular employee.)

This attitude alone would account for a strong industry disinclination to participate in the Department's proposed Trainee Placement Assistance Demonstration Projects, which were explicitly designed to provide coverage for "high risk" bondees. There were, though, other negative attitudes in the industry towards the concept of the bonding program, and towards the Department of Labor procurement practices. According to insurance industry sources, there was some doubt as to the need for a federally sponsored bonding program in the first place. Many fidelity bonding specialists believed that much of the so-called bonding problem was actually the result of employer attitudes. They believed -- and continue to believe -- that the industry has been used as a scapegoat by employers who would find other reasons not to hire ex-offenders if the bonding barrier were removed. This belief is based in part upon the assumption that local insurance agents generally make exceptions to the exclusionary clauses in standard agreements when asked to do so by employers for whom they regularly

provide coverage. These exceptions may include carrying the high risk employee on the same blanket bond which covers all employees in the firm or allowing the employer to buy an individual ("name schedule") bond for this employee separate from the general bond for all other employees.

Some sources in the industry have also questioned the wisdom or the necessity of steering those with criminal records towards jobs which require fidelity bonding. This is because "there are other good jobs which are already open to such individuals."

Two additional factors provide important dimensions of the insurance industry context in which the bonding program was developed. Consolidation within the insurance industry had produced a situation in which the bulk of fidelity bonding was written by large all-line insurance companies for which the fidelity premiums represented only a small fraction of their total business. This being the case, the heavy demand on staff time and resources for (what the major insurers would see as) a small-scale experiment could not, in general, be justified by potential contributions to company profits. Such projects might be undertaken for "public interest" reasons, but to the leaders in the industry, profit and loss considerations would not justify participation in such a program.

During the period when the bonding program design was being finalized, at least one major insurance underwriter was conducting "public interest" experiments in providing bonding for "high risk" individuals. The Aetna Life and Casualty Company, leader in the fidelity bonding industry in terms of dollar volume of premiums, was involved in two such projects. However, both the Denver-based "Title V Project" and the Washington, D.C. "Bonabond" project were viewed by Aetna officials as strictly limited activities, undertaken to promote "good will" toward the insurance company. In both cases, top officials

for the Aetna Fidelity Bonding Department kept a close eye on all aspects of the project activities -- including, in many instances, making the final decisions as to who would participate. In neither experiment was there a commitment to "bond everyone," as was envisaged in the Trainee Placement Assistance Demonstration Projects. This point was explicit in an internal Aetna communication:

> Both of these programs are group approaches and involve people who we believe are strongly motivated to rehabilitate themselves. Neither we nor any other company to the best of our knowledge proposes to provide any guarantee as to individual, randomly selected, ex-convicts.

In neither case was the project seen as a possible pilot test for a nationwide program to be administered by the company.

The insurance industry image of government procurement policies has also reportedly acted as a significant obstacle to response to the bonding IFB (and to the later RFP as well). According to one major insurer, there is a widespread belief in the industry that the government tends to take the lowest bidder for an insurance job, regardless of the relative status of the bidders and (implicitly in many insurers' minds) regardless of the prospective quality of the work and degree of risk to the government. Large insurance companies have used this belief to explain their reluctance to participate in competitive bidding such as was utilized in the bonding procurement. This reluctance has, in turn, tended to leave the field open to the smaller and less well known members of the industry.

As indicated above, it had been hoped that participation of a private insurer in the bonding program would add credibility to the results, thereby promoting re-examination of bonding policies by other leading firms. None of the three contractors which have participated in the program to date appears to have been of sufficient stature to accomplish this, however.

4.6.2 The Department of Labor Perspective

In general, the OPER staff who were designing the Trainee Placement Assistance Demonstration Projects had hoped that the bonding program would prompt the insurance industry to re-examine the exclusionary policies which made the program necessary in the first place. This objective was enunciated in a 1966 Departmental publication describing the Trainee Placement Assistance Demonstration Projects:

> This is an experimental program which will be terminated at the earliest possible moment after the fidelity bonding industry is in a position to provide bond coverage for this clientele through normal commercial channels.*

OPER staff have indicated that industry input in the development of the program was seen as a means to achieving this "objective." A number of meetings and telephone conversations were held with brokers, underwriters, and the leadership of the industry trade associations, including the Surety Association of America. But for a number of reasons, these efforts did not result in effective communication of the above discussed industry attitudes. In fact, OPER staff members expended relatively little effort on communication with insurance industry leaders, because of lack of time and the press of other responsibilities:

> We did think of having an advisory committee from the insurance industry...If we'd had the time we would have done it.

Despite their hopes, many of the OPER planners were also skeptical that the fidelity bonding industry could be persuaded to change its policies without governmental coercion. One planner indicated that he saw the bonding program largely in terms of its potential as a "club against some insurance companies," an indication of the seriousness of the Department's commitment

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*OPER Informational Handout, "Fidelity Bond Coverage Available through the U.S. Department of Labor," October 24, 1966.

to do something about the problem of placing "unbondables" in jobs which were normally closed to them because of the restrictive clauses in standard commercial bonding contracts.

These Departmental planners also advanced the following perceptions of the fidelity bonding industry:

- The industry was uninterested in the problem of bonding "unbondables" and would therefore be unlikely to be interested in the bonding program;
- The industry was uneasy about participation in the program because this would allow the government to look too closely at industry practices and activities;
- The industry did not want the government to "get its foot in the door" regarding the establishment of rates, standards, and so forth.

When there was only one response to the IFB, the OPER planners felt their fears had been justified; some of them have indicated a belief that industry non-participation was the result of a conspiracy on the part of the industry leadership. According to this explanation, key individuals in the fidelity bonding industry were thought to have agreed among themselves to avoid bidding, and to dissuade others who felt differently.

4.6.3 The Department of Labor - Insurance Industry Interface

In short, the Departmental planners believed that the insurance industry would not be enthusiastic about the program, but were not aware of the specific reasons which insurers have subsequently advanced to explain their lack of enthusiasm. Given this situation, it is difficult to imagine that significant industry participation in the design and implementation of the program could have taken place without substantial efforts at communication between the Department and the industry during the design phase, and without substantial industry input at that time. Neither of these occurred.

As indicated above, OPER staff did meet with a number of representatives of

the industry including the Surety Association of America and the American Insurance Association. But the timing and the nature of these meetings do not appear to have been sufficient to bring about better mutual understanding or any change in the pre-existing negative history attitudes.

Thus, for instance, the first face-to-face meeting between the Departmental planners and the leadership of the fidelity bonding trade associations took place in January, 1966, only a few weeks before the Invitation for Bids was issued. In response to this meeting, the Surety Association scheduled a discussion of the proposed government project at their next executive committee meeting in March. (The executive committee consists of the heads of the fidelity bonding departments of major insurers.) The discussion of this topic was cancelled, however, once it became known that the IFB had already been issued and a contract had been signed with the United Bonding Insurance Company, a non-member of the Surety Association at that time.

Thus, whatever the explanations, there was an absence of well-timed, substantive and meaningful communications between the program planners and the leadership of the fidelity bonding industry. The cancellation of the Surety Association executive committee discussion of the bonding program meant that a major opportunity to educate and involve major insurers in the program had been lost. Although the Departmental planners had hoped to develop a program which would eventually promote changes in the exclusionary practices of the industry, they developed a pilot program which was not initially attractive enough to the industry to elicit more than a single bid.

The importance of the communication factor is underscored by consideration of the single bidder in each of the two procurements. In each case, the initiative in responding was not taken by the eventual underwriter bidder. Instead, it was the Washington-based McLaughlin Company that expressed interest and sought out an underwriter. Unlike most of the recipients of the initial IFB, the principals of the McLaughlin Company had had more than a decade of direct experience with the federal government--including the Department of Labor--concerning the provision of bonding services.

In addition to this, the McLaughlin Company had participated in other social welfare programs sponsored by the Federal Government and the District of Columbia, and had developed a sense of commitment to such "public interest" activitites.

Because of these facts, the McLaughlin officials had a considerably better understanding of the underlying purpose and structure of the proposed bonding program than did most insurers and the role which the chosen underwriter would play. Following the issurance of the IFB, contacts between McLaughlin and the Department served to answer any remaining questions about the procurement, and the McLaughlin Company was persuaded to take the chance.

4.7 Negotiation of the Initial Bonding Contract

As indicated above, when the bids were opened, it was discovered that the sole bidder was the United Bonding Insurance Company of Indiana with the Washington-based McLaughlin Company serving as broker. The sole bid was $5 per unit.

According to federal procurement regulations, the Department had two

options at that point. An award could have been made to the single bidder if it could have been determined that (a) the bidder had no knowledge that it was the only bidder, and (b) if the price was in the acceptable range. If these conditions were not met, the IFB could have been converted into a negotiated procurement.

The bid price was roughly twenty times higher than the price contemplated in the September, 1965, DMPP planning paper, and was not considered acceptable. But the Department remained interested in promoting an E&D bonding project, so the second option was chosen. Negotiations were entered into between the Department and the United Bonding Company.

The initial decision by United Bonding to bid $5, and the ensuing negotiation over the price, were greatly influenced by the total lack of actuarial experience upon which such a price estimate could be made. The Departmental staff reviewing the bid were sensitive to the unique circumstances which might justify an initial bid which was considerably higher than what could eventually be expected to be the rates for bonding "high risk" job applicants under a national program. According to one of them:

> It was my understanding that part of the premium was to cover the high risk being taken because there was no history of actuarial experience to judge what the rates should be...
>
> Another part of the premium was payment to cover the awkward way which people had to conduct the project administratively. What we were proposing was different from standard industry staffing and reporting procedures...We would be paying, for example, for diversion of management resources to provide, for example, feedback to the Department of Labor on a monthly basis. This is not normally done. We were also creating new reporting requirements by using new federal definitions like "units"...

In other words, whatever price was agreed upon would reflect some degree of risk by both the insurer and the government and the unusual (to the industry) administrative procedures. But the maximum and minimum purchase of units clause of the contract discussed in Section 4.3 above, as well as other contract provisions, served to minimize this risk somewhat.

During the negotiations, the McLaughlin Company staff served as intermediaries between the Department and the United Bonding Company. After what both sides have described as a "tough bargaining session," McLaughlin and the Department agreed upon a re-negotiated bid of $1.75 per unit.* The McLaughlin representatives then convinced the United Bonding staff to accept this figure, and final agreement was reached. Contract L/A 66-44 was signed on March 25, 1966, and the Trainee Placement Assistance Demonstration Projects were ready for implementation.**

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* In retrospect, it can be noted that the Departmental planners' belief that the initial price per unit would be considerably higher than that which would be used in a national program was accurate. The current price per unit is 85 cents, less than half of the amount originally specified in the initial contract.

** The key portions of contract L/A 66-44 included in Appendix A.

5.0 THE IMPLEMENTATION PHASE

The period between the signing of the initial bonding contract with the United Bonding Insurance Company and the present time has been marked by a number of major events in the evolution of the program. These events include:

- Initial site selection
- Development of reporting systems
- Expansion of the program -- first the expansion of the E&D project, and then the expansion to the status of a national program
- Modification of certain elements of the program design
- Development of a second procurement instrument and submission of a proposal
- Rejection of recommendations for more staff
- Subsequent legislative developments, including the passage of the Comprehensive Employment and Training Act of 1973 (CETA)
- Funding for the program.

Each of these events is discussed in detail below. As in the previous section, the discussion focuses both on direct explanatory factors for each event and upon the broader context within which individual decisions were made.

5.1 Initial Site Selection

With the signing of the contract with the United Bonding Company, two major steps remained to be taken before the program could become operational: initial site selection and development of reporting systems. As was indicated in Section 4, the OPER and USES planners had decided to utilize both local ES offices and E&D special projects to deliver the bonding services. Decisions still needed to be made concerning the number of sites of each type, and the specific sites to be selected.

The decision to limit the number of sites to ten was made for a number of reasons. The first of these was the expected "stampede" of bondees; since there were so many potential bondees, it would be necessary--according to this line of reasoning--to limit the number of Sponsors so that the program did not spread itself thinly and use up all the bonding units without getting a sense of "full-use potential" in any locality. Concentration of the program in only ten sites would, it was expected, give a better indication of how a future national program would function.

Secondly, it was felt that the number of Sponsors should be kept small in order to minimize administrative problems during the "break-in" period. In the words of one bonding administrator:

> There is some virtue to having a certain number of sites in an E&D project so that one can look at commonalities and differences among the sites.
>
> But care must also be taken to avoid over-extending the financial and personnel resources of the project.

Selection of specific Sponsors was based in part upon expressions of interest in the new program on the part of potential Sponsors, and in part upon considerations of local population and industrial mix. The OPER and USES planners concluded that an emphasis upon larger cities would be appropriate because ex-offenders would be most likely to be found there in large numbers. In part, this was based on the judgment that "ex-offenders often go to large cities to get lost." In addition, it was expected that there were greater opportunities for employment of ex-offenders--a wider range of skill level demands and industry types--in the larger cities.

E&D project Sponsors were selected on the basis of "strong desire to take advantage of the opportunity offered by the pilot program" and the "relatively large number or proportion of persons they have enrolled who have records which hamper their bonding and hence their placement."*

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*Internal OPER memorandum, dated April 19, 1966.

Based upon these criteria, a total of ten Sponsors was selected, including ES offices in four major cities and six E&D special projects. The ES cities were New York, Los Angeles, Chicago, and Washington, D.C. The E&D projects were, for the most part, located in these same cities: the Mobilization for Youth project in New York; the Economic Youth Opportunities Agency in Los Angeles; the Job Opportunities through Better Skills Project (JOBS) in Chicago; and the United Planning Organization in Washington. In addition to these Sponsors, additional E&D projects at two correctional institutions were also selected--Project Challenge in the Youth Center at Lorton, Virginia, and the Draper Correctional Center at Elmore, Alabama.

5.2 Development of Reporting Systems

As was noted in Section 4, the program designers had stressed the importance of developing and analyzing data concerning bonding program performance. Thus, for example, the September, 1965, DMPP planning paper noted that:

> It is essential that the total body of the bonding projects be systematically designed to provide experience on all pertinent factors and conditions to serve as a basis for developing recommendations for a more extensive bonding program, if such is warranted.

In response to this felt need, OPER and USES staff collaborated in the development of two program reporting systems. The first of these required monthly and semi-annual reports from the bonding underwriter, as a contractual obligation. As specified in Contract L/A 66-44, the McLaughlin Company was required to provide monthly status reports concerning program operations which included the following data:

- Bonding units consumed in that month
- Amount of unconsumed units remaining to each Sponsor
- Names of bondees
- Number of units consumed per bondee in that month

The semi-annual reports focused upon default data, including:

- Number of claims received
- Amount of the claims
- Disposition of the claim (e.g., settled, pending)
- Date of claims
- Names of bondees and employers involved in claims.

These reports were prepared and delivered on schedule by the McLaughlin Company. They provided the Department with updated information concerning the utilization of the program and the extent to which claims were filed on program participants. The availability of this data made it relatively easy for OPER staff to calculate "default rates"--comparisons of the ratio of numbers bonded to numbers for whom claims were paid--and other data concerning program participation such as numbers bonded and their geographic distribution.

The McLaughlin-produced monthly and semi-annual status reports have been the most important data sources for Departmental assessments of program performance. The statistics on default rates have been the single most quoted indicator of program accomplishment. This has been so for three reasons:

- The statistics have been seen as favorable; the program default rate has always been below 2%;
- The absence of in-depth analysis of available data such as the MT-110 forms*;
- The lack of other potentially useful information such as post-placement followup data.

The McLaughlin-provided reports contained enough data for further analyses as well; they could, for example, have been used to calculate "loss ratios"--the relationship between premiums received and claims pending and paid. This would have been considerably more meaningful to the insurance industry than the "default rates" cited above. But these further analyses were rarely performed by OPER staff. In the first place, the inadequacy of "default

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*These forms are discussed on pages 62, 63 and 64 below.

rates" data from the insurance industry's point of view was not originally known in OPER. Secondly, OPER officials believed that the numbers of claims were too small to be reliable for statistical analysis of claims during the initial years, and that even without these analyses it was becoming clear that providing coverage for ex-offenders and other high risk job applicants was not as risky as had been believed. In any event, the non-bonding program demands upon OPER and USES staff appear to have precluded additional analyses of these data.

Despite the potential usefulness of the data collected in the monthly and semi-annual reports by the McLaughlin Company, it is important to note that (as originally designed) these reports contained little information pertaining to the background of the bondee or the kind of occupation in which he or she was being placed. In order to make this kind of information available for future analysis of the E&D program, OPER and USES staff collaborated in the development of a second reporting system, which utilized the MT-110 (later MA-110) form.*

Unlike the McLaughlin reporting system, the MT-110 system relied entirely upon the bonding Sponsors and Department of Labor staff for completion of the forms and analysis of the data. The MT-110 forms were to be filled out by local Sponsors for ex-offenders and all other applicants referred to jobs where lack of bonding might create an artificial barrier to employment, whether these individuals were bonded or not. These forms were designed to provide the following kinds of information about these applicants:

- Age
- Race
- Education
- Criminal Record of Bondee

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*A copy of this form is included in Appendix A.

- Job Information--kind of job, required experience, salary
- Bondee Work History
- Reason for Denial of Commercial Bond
- Utilization of Commercial Bonding by Bonding Employer*

The completed forms were to be retained by Sponsors until OPER requested them. Analysis of the collected data was to be the responsibility of OPER.

Had this reporting system been utilized as intended--and had it been supplemented with followup data--there would have been adequate information to answer many questions concerning the need for a bonding program, its impact and the kind of clients who were helped the most.

This did not happen, however, for a variety of reasons. In the first place, there was some confusion among local Sponsor staff concerning the individuals for whom the MT-110 forms were to be filled out. The following excerpt from a 1968 Departmental memorandum illustrates the disappointment felt by some OPER officials concerning the failure to fill out these forms for individuals other than those who were bonded through the program:

> The original intent of the form (and the instructions given to ES personnel at the training sessions) was that it would be filled out on every person who has a "record" seeking a job and is referred to an employer.
>
> From my discussions with (ES personnel) and a quick scanning of the returned forms, I believe that the form has been used more in the case of those who were bonded only...
>
> Many inquiries were handled by phone from both employers and potential employees, where bonding was not used, but there was every reason to believe that the person was employed...In these cases no form was filled out.

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*The forms also included standard data as applicant's military status, U.S. citizenship, and so forth.

> (ES Division of Placement personnel) have stressed the need for filling out forms in order to determine the number of "assists;" however, they too believe that...it is not filled out when a job is secured without bonding, where the person has a "record" or is not commercially bondable, because the employer has waived his requirements or made arrangements with his own bonding company.*

Secondly, many of the completed MT-110 forms were apparently never forwarded to the Department of Labor for analysis. As of January, 1975, at least one-quarter of the forms were not present in the OPER files.

Finally, much of the data from the forms which were turned into the Department were never fully analyzed. There are several reasons for this, including the lack of time available to the OPER and USES administrators to complete such analytic tasks. Much of the analysis of MT-110 data therefore was conducted by outside consultants. This was the case in a 1968 study "Bonding Demonstration Project: An Analysis of the Program's First Year" completed by Marion Katzive; in the initial computer-based analysis of the first 689 MT-110 forms conducted by the Data Processing Academy of the South Carolina Department of Corrections in 1969; and in the 1972 report "Bonding Assistance Demonstration Project in Prisoner Training Programs" prepared by the Experimental Manpower Laboratory for Corrections at the Draper Correctional Center at Elmore, Alabama.

OPER staff members developed a historical report of the first few years of the program, a "paper and pencil" review of the first 500 forms, and a re-analysis of some of the Data Processing Academy results.

But none of these analytical reports appears to have occasioned major changes in bonding program policy or administrative practices. In part, this was because some of the findings of some reports were considered to be of doubtful accuracy due to problems with the quality of the data and other analytic

*Internal OPER memorandum dated February 14, 1968.

shortcomings. But in addition to this, there was nothing in these reports which led OPER staff members to conclude that any of their previous judgments concerning the appropriateness of the basic program model were in need of revision.

As will be discussed in Section 5.3 below, some OPER policy-makers believed that there were some potential benefits to be gained from further analysis of bonding program data. Thus, for example, the 1968 report briefly reviewed the existing reporting systems and came up with the following conclusions:

> If continuation of the project in its present form is to be fruitful, it would be useful to consider what can be accomplished in the way of reaching these (project) goals and to revise reporting and research techniques accordingly.
>
> Greater uniformity of reporting and more complete information about bondees should be required of the bonding Sponsors.*

But no significant changes in the project reporting systems followed this report. The only addition to the project reporting systems since their inception was a 1972 decision to increase the contractor's monthly status report requirements to include social security, SIC and DOT code information for each bondee.

The expansion of the bonding program to the status of a national program was considered within the Department to mark the end of the experimental phase of the program. For this reason, the MT-110 reporting forms were eliminated as of June 30, 1971. Since that time, the monthly status reports and semi-annual claims reports have been the only major data sources for the program.

5.3 Project Expansion

5.3.1 Expansion of the E&D Project

The bonding program was initially implemented in June, 1966, at ES offices in four cities and in six additional E&D projects. By the time it was

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*Bonding Assistance Demonstration Project: An Analysis of the Program's First Year, p. 6.

transformed into a national program in January, 1971, the E&D project had been expanded to encompass ES offices and E&D projects in 51 cities and 29 states and the District of Columbia, as well as statewide coverage in six states.

For purposes of analysis, the expansion of the bonding program during its E&D phase can be divided into four categories: (a) expansion to individual cities in response to requests from Employment Service officials, (b) expansion to include all of the target cities designated by the President's Committee on Manpower (the future CEP I cities), (c) expansion of the scope of projects from individual cities to a statewide framework, and (d) expansion to provide service to the Section 251 Inmate Training projects.

While the specific motivating factors for each of the four expansions differ, there are a number of underlying factors which they hold in common. In the first place, they represented a continued vote of confidence by OPER in the utility of the program. In each case, the decision to expand was made because OPER staff members believed that the E&D bonding projects were proving helpful to jobseekers and that further expansion would represent a means of promoting greater utilization of the E&D program. The decisions to expand were also affected by a growing realization that the program could be of service to all ex-offender job seekers, rather than primarily to ex-offender MDTA training project graduates as originally envisaged. (This change in emphasis of the bonding program target population is discussed in greater detail in Section 5.4.2 below.)

In addition, it should be noted that all four expansions represented responses by OPER to initiatives taken by Department of Labor agencies other than OPER, and by State and local manpower agencies. This demand for bonding is in itself significant, indicating that operational agencies were looking positively at a product of E&D. The meeting of these demands thus represented

a confluence of the OPER desire to see E&D products utilized and the desires of others to see better services for clients of manpower programs.

During the early months of the implementation phase of the bonding program, there were two separate program orientations within the Department. Many officials, including key OPER staff, felt that the E&D bonding efforts should be viewed as a "feasibility study." As such, it was important to implement the project in a large enough variety of sites to permit some judgements as to geographic variations in performance. But it was not, from this point of view, worthwhile to expand the project simply to offer bonding to more job applicants.

In the words of one OPER administrator:

> There was pressure to expand the program and make the service available to more people, but I felt it was important to hold the rein on expansion.

The reasons for this are spelled out in a memorandum from OPER to USES dated October 5, 1966:

> I am dubious...about the wisdom of increasing the number of cities when we already have enough cities involved to get the sort of knowledge-development we are seeking.
>
> Adding more cities just to get the available slots put to use more quickly is sound for an operating program seeking "numbers" but just makes more cumbersome an effort seeking insights.*

Proponents of this "experimental" position were primarily concerned with conducting the Trainee Placement Assistance Demonstration Projects in a manner which would insure the collection and analysis of sufficient data to more adequately assess program results. This concern for the adequacy of available data often came up when requests for expansion of the program were made.

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*Internal OPER Memo, dated October 5, 1966

This "experimental" approach can be contrasted with the "provision of service" orientation. Holders of this point of view did not feel that it was necessary to wait for more data to be collected and analyzed. These individuals believed that the program's utility had been demonstrated. During the early months of the Trainee Placement Assistance Demonstration Projects, this conviction appears to have been based primarily upon the inherent logic behind the bonding program--namely, that it served to overcome barriers to employment, almost by definition.

During the subsequent months and years, conversations with Sponsors and review of the available data--primarily data concerning the numbers of people bonded and the low percentage of them who had defaulted--served to reinforce the belief of many Departmental decision-makers that their initial feelings about the utility of the program were justified.

When issues of program expansion arose during the first year of implementation, the "provision of service" point of view generally favored such action on the grounds that it would provide a needed service to more job applicants. The expansions to the future CEP and "251" cities were promoted on the ground that the Department had a strong commitment to the disadvantaged and Inmate Training participants in these cities. Thus, in order to meet that commitment, it was felt necessary to provide every possible "weapon" for the "arsenal" of program operators. Similarly, the statewide expansion was justified in terms of providing the service to more people in the effected states.

With the passage of time, however, there was a growing consensus within OPER that the available information was sufficient to demonstrate the soundness of the approach to bonding being implemented in the E&D projects. This

in turn led to a convergence of the two points of view: those concerned with an experimental approach began to favor a carefully planned expansion of the program in order to promote the wider utilization of the E&D project while building towards its eventual implementation as a national program. This generally coincided with the expansion of service point of view, in terms of its effect on program decision-making. The remaining differences concerned primarily such issues as whether or not expansion was appropriate in a particular set of circumstances. One OPER administrator saw this as an issue of planned versus indiscriminate expansion:

> My view was that we should not build up the number of sites as if we were running a mailing list, that is by adding whoever asked for it.
>
> The pattern we were trying to develop was that, on a limited basis, we would add a few sites that offered particular promise for one reason or another. We would not, however, proceed on a whoever-asks-for-it-gets-it basis.

In most cases, Departmental policy initiatives were considered by OPER staff to be legitimate reasons to expand the program; the major concern in these cases was the availability of OPER and USES staff who would be called upon to administer the new bonding projects. Thus for example, once a mechanism was developed to provide such administration by a contractor, there were no remaining objections to expanding bonding to the "251" projects.

(a) Expansion to Individual Cities

OPER and USES officials were the recipients of requests for information about the bonding program, and for inclusion in the experiment, within months of the initial implementation of the program in June, 1966. Word about the bonding program appears to have spread largely through informal and unofficial channels during the first months of program implementation, and despite the absence of any data on program results, a number of ES Local Office staff began to initiate requests for bonding services.

As is discussed in Section 5.4.1 below, the bonding program was originally seen as a "self-implementing program," and program publicity was discouraged. The initial low level of bonding placements, however, soon forced a revision of this concept. With this revision, articles about the bonding projects were encouraged, both in local papers and in manpower-related journals. Thus, for example, publicity for the program included a December, 1966, article in the Employment Service Review.* This increase in the quantity of formal descriptions of the program in all likelihood contributed to the informal process of learning about the program, and thus to accelerated requests for its expansion.

In general, these requests were sent through the USES Regional Offices to the USES National Office and from there to OPER. At times, the requests included some "experimental" justification. Thus, for example, the request for expansion of the program to Kansas City noted that "Kansas City is a different type of community, is smaller than any of the (original) demonstration cities,"** Another example was the case of Portland, Oregon. The justification for expansion to that city included the assessment that:

> The ES man has done a bangup job in laying the groundwork for its (the bonding program's) use--something which we could use as a model for proper implementation of the Bonding Assistance Demonstration Project...
>
> (In Portland,) we have a guy who has done some "homework" and legwork to find out just how we could use the bonding authority if we had it. He has already lined up the principals involved in making the program work and has obtained their cooperation and some commitments. If we extended the program to Portland, it would give us a chance to see just how well the idea of "preparedness" works, as opposed to our thrusting the Bonding Assistance Demonstration Project on an agency and asking it to make it work.***

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*A reprint of this article is included in Appendix A.

**Memorandum from USES to OPER, dated September 19, 1966.

***Internal OPER memorandum dated January 19, 1968.

In addition to this, contacts between the Oregon Employment Service and Oregon Parole Board gave indications that between 25 and 50 individuals could be bonded right from the start, "far more than more agencies have done in 1½ years of operation."

For the most part, however, the requests for expansion to individual cities stressed concerns other than furtherance of E&D objectives. Thus, for example, the Kentucky State Employment Service sought expansion of the Program to Louisville because of the "difficulty in placing Negro men and because of police and court records."*

The following excerpt from a Departmental memorandum exemplifies the "expansion of services" justification for program expansion:

> The Minnesota agency is interested in having a bonding program for the Twin City SMSA. With the start of WIN, CEP, and Model Cities programs in Minneapolis and St. Paul and the agency's continuing efforts through MDTA and HRD to reach the disadvantaged, we feel Minnesota could make effective use of a bonding program.
>
> In addition to the above mentioned employability programs, a MDTA correctional institutional project has just been funded for Stillwater State Prison. We feel that a bonding program would be of considerable help to the agency in developing jobs for inmates completing training under this program.**

There was no mention of any experimental or demonstration purpose anywhere in this memorandum.

The OPER response to these requests for expansion was mixed. In those cases where there appeared to be "particular promise," they were accepted. Where expansion appeared to be "indiscriminate" it was turned down. As a result, Kansas City and San Francisco were added to the program in 1966; a number of cities in Ohio were added in 1967; and Portland, Oregon, entered the program in 1968. Many other applicants were rejected.

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*Internal USES memorandum dated December 13, 1967.

**Internal USES memorandum dated August 6, 1968.

(b) Expansion to the PCOM Cities

As was discussed in Section 3, the bonding program was implemented at a time of growing Departmental commitment to the provision of employability development services to the disadvantaged. Thus, when the President's Committee on Manpower (PCOM) designated 19 cities as targets for a new co-ordinated approach to serving the disadvantaged (later to be called the Concentrated Employment Program--CEP), requests were made to OPER to expand the bonding program to serve these cities. A number of OPER staff had been active in the development of the CEP program and were thus fully in accord with the idea of providing the new CEPs with every available job placement tool.

Given the growing consensus within OPER that bonding was assisting the placement of ex-offenders, expansion of the program to these cities was seen as furthering the provision of service and promotion of E&D utilization objectives. Because of this, there was no doubt that such an expansion was appropriate. In the words of one OPER official:

> I did say o.k. on expanding the bonding program to the Concentrated Employment Program Cities. It was good for the CEP people to have every available tool for helping ex-offenders and we believed that bonding would be useful in this regard.

The decision to include the CEP cities was made in March, 1967, resulted in the inclusion of Boston, Newark, Philadelphia, Pittsburgh, Baltimore, Cleveland, Detroit, San Antonio, Houston, New Orleans and Birmingham in the program. (The other CEP I cities were already participating in the bonding demonstration projects.)

(c) Expansion to Statewide Scope

The expansion of the bonding program to cover six entire states also represented a coming together of the experimental and provision of service points of view. Requests for expansion of the program to Statewide scope

and Statewide (as opposed to ES Local Office) sponsorship were made largely for provision of service rationales. In each case, State Employment Service personnel heard about the bonding program and wanted to make it available more widely in their jurisdictions. At the same time, the expansion to Statewide jurisdiction was a major plus from the experimental point of view because it represented a possible model for the delivery system to be adopted under a national operational program. Expansion to Statewide sponsorships thus provided OPER with the opportunity to gather useful information on which to plan the transition to the national program which took place in 1970.

As in the case of the other three expansions, the initiative for Statewide sponsorships came from outside OPER. As in the case of expansion to individual cities, the requests to expand came from the State Employment Services and their local affiliates, and were channeled through the United States Employment Service. In general, the requests for expansion were responses to two kinds of circumstances:

- Administrative problems resulting from requests for bonding made to ES Local Offices from parts of the State which were quite distant from those offices
- Administrative problems resulting from a situation in which there was more than one Sponsor within a State and little coordination among Sponsors.

In both of these circumstances, the argument was advanced that coordination of bonding activities could be best accomplished by designating the State Employment Security Agency as the Sponsor and allowing that agency to develop cooperative activities among its Local Offices.

Because of the convergence of experimental and provision-of-service points of view, the decisions to expand to Statewide scope were thought to be easy ones. In response to these considerations, the bonding program was expanded to Statewide status in New York, California, Illinois, and Missouri in

March, 1967. Subsequently, Statewide bonding was introduced in Ohio and Oregon, bringing the total number of Statewide sponsorships to six.

(d) Expansion to "Section 251" Inmate Training Projects

The expansion of the bonding program to include all of the inmate training projects authorized under Section 251 of the MDTA was, in many ways, the most critical step in the progression from a limited number of projects to the status of a national program. This expansion resulted in the designation and training of bonding Sponsors (staff called bonding certification agents, BCAs) in twenty-four States, representing a significant increase in the geographic coverage of the project. The experience gained through the administration of the greatly expanded bonding program was therefore particularly important in decision-making relative to the eventual expansion to national program status.

The rationale for the expansion of the bonding program to encompass the "graduates" of the more than thirty inmate training projects authorized under Section 251 of the Manpower Development and Training Act was directly parallel to that of the expansion to the CEP I cities. In the former case, there was an exceptionally strong "provision of service" rationale because of the Department's commitment to the disadvantaged. In the latter, the rationale was the growing Departmental commitment to offender rehabilitation.

In short, expansion to the inmate training projects would provide benefits and provide additional information which would be useful in decision-making relative to the eventual implementation of a nation-wide program. These reasons, along with the enthusiastic backing for the experimental and demonstration inmate training program in OPER, led to a general agreement to provide bonding once the "251" projects were operational and trainees were entering the job market.

However, when this time came, in early 1969, there were several administrative barriers in the way of expansion of bonding to these projects. The funding situation for future bonding activities was uncertain and there were no available staff within OPER to meet the additional administrative burdens which, it was expected, would result from such an expansion.

In order to overcome these obstacles, an agreement was made with an ongoing E&D project, the Experimental Manpower Laboratory for Corrections at the Draper Correctional Center at Elmore, Alabama, to modify its existing contract in order to:

> explore the feasibility of maintaining and operating a central resource unit to administer bonding coverage to ex-offenders . . . The principal recipients of this bonding coverage shall be (but not limited to) ex-offenders coming from correctional institutions which are now, have been, or will be conducting prisoner training projects under Section 251 of the Manpower Development and Training Act as amended.*

In particular, the Draper staff were to conduct the following activities:

- Organize and arrange an administrative program for providing bonding coverage to ex-offenders from prisoner training projects under Section 251, as needed;
- Organize and conduct training sessions for bonding certification agents from prisoner training projects under Section 251, as needed;
- Collect, collate, machine process, and analyze data gathered in operating the project, including a narrative analysis with recommendations for future implementation.**

The Draper E&D project was one of the three original experimental projects in the nation instituted by the Department of Labor in order to test the feasibility of manpower training in correctional settings. It was designed to demonstrate that the provision of training and related services would render the institutionalized offender employable upon release,

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* Revised work statement for Contract 8201-69-06 based upon Modification 1.

** Ibid.

and hopefully would reduce the rate of recidivism.* The project had participated in the E&D bonding activities from their inception, and had been highly pleased with the results, submitting a recommendation that the program be continued because "it has been instrumental in placing graduates in many different jobs, even those for which bonding was not an immediate requirement."**

During the two-year period when the Experimental Manpower Laboratory was responsible for the Section 251 projects, the Laboratory staff trained 31 bonding certification agents (including staff from State Employment Services and Corrections Departments), and responded to questions from these individuals concerning the conduct of the project. Laboratory staff originated more than 2,000 pieces of correspondence to meet requests for information or to conduct related administrative activities and provided additional guidance by telephone. In addition to this, the staff conducted an analysis of their activities including development of profiles of bondees and review of administrative procedures. The final report issued for the bonding activities in the "251" projects contained a variety of conclusions including:

> It is quite clear that the availability of bonding has helped job-qualified ex-offenders receive jobs they would not have received otherwise.
>
> As far as the effectiveness of a central agency's administration of the project, there have been only minor problems...it is estimated that in order for a central agency handling about 30 agents to function as a training center, provide problem-solving and question-answering services, and maintain data collection and analysis, a total of at least one day a week for a director, one half day a week for a typist, and two days for a data analyst are required.***

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* The activities of the project between 1964 and 1968 are summarized in The Draper Project: Final Report published by the U. S. Department of Labor, Manpower Administration.

** Ibid., p. 89.

*** Bonding Assistance: A Demonstration Project in the Prisoner Training Programs, pp. 12-13.

5.3.2 Expansion to the Status of a National Program

Given the growing consensus within OPER that the Trainee Placement Assistance Demonstration Projects were proving the feasibility and utility of bonding, it was only a matter of time before OPER staff would press for its adoption as a national program. The smooth record of previous expansions served to strengthen this conviction, and the continued demand for the program from many parts of the country which were not yet participating provided still more momentum. The requests for further expansion of the program included the following:

- Making bonding available to each of the nearly eighty cities which would have CEPs under a projected expansion of that program
- Making bonding available in those cities in which the National Alliance of Businessmen Job Opportunities in the Business Sector (NAB-JOBS) approach was being developed
- Making bonding available in the cities in which the "Comprehensive Model for Local Office Reorganization (COMO) of the United States Training and Employment Service" was being implemented
- Making bonding available to additional Employment Service offices which were requesting it.

Thus, for example, in the COMO cities, the traditional ES office structure was being revised in order to better match service delivery to the needs of job applicants. Part of the COMO model involved intensive employability development services for the disadvantaged. USES policy makers therefore advanced the argument that the availability of bonding would be another useful service which the COMO ES Local Offices could offer to help the disadvantaged. This argument was accepted by some OPER officials, as can be seen in the following excerpt from an OPER memorandum:

> We could extend bonding to those (three of the six COMO) cities that do not now have it without any trouble. Unit usage would be minimal for the first 3 to 6 months. I think we should.*

* Internal OPER memorandum, dated July 15, 1970.

As in the case of the expansion to "251" projects, these proposed expansions would have placed an additional major administrative burden on OPER staff. Expanding the program nationwide would, it was thought, have the effect of providing bonding at all local ES offices in the country, thereby ensuring its presence at the expanded CEP, NAB-JOBS and COMO cities without any such additional burdens.

In short, OPER was faced with a virtually unprecedented situation in terms of E&D programming: program operators were pressing to implement a product of experimental and demonstration activities with no pressure to do so by the E&D staff, with no money available to pay for staff to run the program, and with no assurances that either the Congress or the Department was willing to fund the program indefinitely.

Another rationale behind the decision to "go national" was the strong feeling within OPER that "you shouldn't fund a program out of E&D forever" and the accompanying consensus that there was enough evidence to show that bonding should become an operational program.

Seen in this light, the decision to expand the Trainee Placement Assistance Demonstration Projects to the status of a national program represented the choice of one of the two basic options foreseen by E&D program designers at the commencement of their efforts. According to the procedures under which E&D projects were designed and operated, experimental projects would either be shown to be useful and viable or they would not. In the former case, the projects would be turned over to an operating agency so that newer E&D projects could take their place. In the latter, they would be terminated for the same reason--to permit the development of additional E&D activity:

> I have always emphasized that we were squeezing out time and money for new projects by holding on to old ones. Our function was a broad one to find out about an idea. But this means to abandon it after you nurture it. It's got to go sooner or later, and if it dies, we learn that it had no staying power. It is therefore necessary for operating agencies to pick up a program after we are done with it, or else it must die.

Because of this, it was clear that OPER would have to give up responsibility for bonding "sooner or later." The "sooner" position gained in strength as the conviction grew that bonding had already proven itself to be useful. Although the factual basis for this conclusion was limited--consisting primarily of data on numbers bonded an the low default rate--a consensus grew that bonding had an important role to play in future operational manpower programming.

The comments of several Departmental officials are typical:

> To my knowledge, bonding was the most successful program to come out of E&D...
>
> I am proud of the program. I think it is one of the better things the Manpower Administration has ever done.
>
> My randomly gathered information on experiments with bonding indicate that the programs have been rather successful, and at a low Federal cost.*

For all of these reasons, the decision to make bonding a national program appeared to represent a logical extension of the E&D objective of promoting the utilization of its results. The timing and details of the transfer to operational national status were, however, dependent upon resolution of a number of technical issues concerning:

- the legal (legislative) authorization for a national bonding program
- the commitment by an operating agency of sufficient staff and funding to insure adequate administration of the program.

During 1969 and early 1970, OPER staff sought to find acceptable ways to solve these problems. By the summer of 1970, a satisfactory set of agreements was completed with the USES; agreement was reached at that time to transfer responsibility for program administration to that agency in January, 1971.

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*Internal USES memorandum dated July 30, 1970.

OPER staff members had generally agreed that the E&D bonding projects could be transferred to the Employment Service if they were proven to be useful. According to one of them:

> There was no doubt that the ES should get it if bonding were to become a national program. It should be an ES program and so the USES should run it.

At the same time, however, there were a number of concerns among Departmental staff concerning USES administration of the proposed national program. There was some doubt whether the USES would assign enough staff to administer the program properly and whether sufficient funds would be committed to the program to continue in an effective manner. This second concern is exemplified by an excerpt from a Departmental memorandum:

> One of the problems I see regularly is the reluctance of the ES state people to "carry the ball." My impression is that many of them view this program as just another bother from Washington, or a boondoggle, or a strain upon an already strained staff, or a reward for people who should be punished; or they are afraid to bond anybody for fear of default and a blot on their (ES) escutcheon, ...many of them have little or no creativeness or desire to use bonding as a job development tool.*

Many of these aspects of ES Local office operations were acknowledged, by USES staff. As a result, a number of site visits and training sessions were conducted either by USES staff along or in coordination with OPER. But these efforts did not result in full OPER confidence that the Employment Service could properly implement the program.

In short, the USES was considered to be the logical candidate to administer the program, but there remained some doubts about the commitment of the Employment Service to run the program effectively. This dilemma was summarized by one OPER official in the following manner:

> Our problem was to get the program to the ES to be used as an operating (placement) tool and then to make sure that the ES paid enough attention to it.

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*Internal OPER memorandum, dated January 19, 1968.

The resolution of these concerns about the Employment Service, and the related legal/legislative issues, occurred in the summer of 1970. The original MDTA Section 105 authorization for the bonding program expired at the close of Fiscal 1970. As noted below, the Department decided against seeking renewal of this authority due to a broader policy decision against seeking perpetuation of categorical legislative authorities at a time when decategorization was being stressed. As a result of this, during calendar 1970, a number of agreements were reached to provide continued funding for bonding from other sources. In part, this funding was drawn from the general E&D authorizing language in Section 102(6) of the Act. But in addition to this, the USES agreed to seek funding for the program and eventually was able to utilize $100,000 of MDTA Title II unapportioned account funds for this purpose.

This agreement by the Employment Service to fund the bonding program through Title II funds was perceived as a major breakthrough by OPER staff, signaling a major commitment to the program. The first written evidence of this commitment by the USES is contained in a memorandum from an Assistant to the Director of the USES to one of his subordinates in July, 1970 which noted the apparent success of the program and then asked the question:

> Since the program has been funded by E&D for the past few years, I wonder if now isn't the time to consider going nationwide with it?*

With both the funding and legal authority issues resolved, the USES and OPER reached agreement upon the level of staffing to be assigned to the bonding program at the National Office level, and planning began for the transfer of the bonding program to national program status.

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*Internal USES memorandum dated July 30, 1970.

In the fall of 1970, USES and OPER staff met frequently to plan the process of transition. After several meetings with the McLaughlin Company, it was agreed that no contract modifications were required in order to accommodate the proposed expansion. Agreement was reached that there would be clear advantages to both the Department and the McLaughlin Company if a new procurement were avoided; and that United Bonding Insurance Company should continue to serve as underwriter -- at least during the initial period of nationwide operation. The stated reasons for this included:

- The United Bonding Insurance Company has developed unique capabilities in handling the Bonding Project through four and one-half years experience -- experience which will be available in making actuarial decisions and evaluations.
- United Bonding has already established a computer system designed to handle the program and reports and is willing to adapt it as necessary.
- A certain rapport has been developed between United Bonding officials and State ES staff.
- Dealing with new and different groups of people requires reorientation, and results in a lack of coordination and continuity along with the loss of the "personal touch."
- Both the United Bonding staff and MA staff feel that a shift to other insurance carriers will jeopardize the entire Bonding Program.*

The proposed rationale for the creation of a nationwide Federal Bonding Program and the operating procedures for the program were drafted in the USES and revised considerably in response to suggestions made by OPER staff. Agreement was reached that the reporting system based upon MT-110 forms would be terminated once the E&D phase was fully completed in June of 1971.

Finally, a training program for future Sponsors of the Federal Bonding Program was held in December, 1970, with participation from both USES and OPER.

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*Internal USES memorandum, dated September 17, 1970.

With the completion of these steps, expansion to nationwide status could proceed. Formal notice of the expansion was contained in Training and Employment Service Program Letter (TESPL) 2624, dated January 25, 1971. The stated purpose of the TESPL was to "announce the expansion of the Federal Bonding Program on a nationwide basis, thereby making it available as a regular part of the placement process in all local State Employment Service Offices, and to transmit guidelines for program operation."*

5.4 Program Design Changes

During the period when the bonding program was expanding from ten individual projects to the status of a national program, a number of basic changes in program design were implemented. These included:

- encouragement of program publicity, flexibility, and the abandonment of the "self-implementing program" concept
- redefinition of target population
- an (attempted) addition to the reporting system to permit collection and analysis of data on "bonding assists"
- the relaxation of restrictions on bonding unit utilization
- the renegotiation of the price per unit from $1.75 to 70 cents per unit
- the modification of the contract in order to require the underwriter to take on program participants through normal commercial channels if such requests were made after eighteen months in the program.

On the other hand, there have been no significant changes in program design because of the transition to the national program or since that time. This continuity appears to be primarily the result of the general consensus within the Department that the program has been proven useful and thus requires no changes. In the absence of any major problems which have come to the attention of the USES administrators, it has been felt that there is little

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*Page 1. The full text of the TESPL (including three attachments) is included in Appendix A to this paper.

reason to question these widely held beliefs and that there is little basis upon which changes should be instituted.

5.4.1 Encouragement of Program Publicity, Flexibility and Abandonment of the Self-Implementing Program Concept

During the bonding program design phase, it had been believed that the Trainee Placement Assistance Demonstration Projects would be a "self-implementing program;" that is, that the program could attract a sufficient number of participants to achieve the experimental objectives without any promotional activities on the part of program Sponsors.

This belief was held for several reasons. First, the notion that demand for bonding would be brisk led to concern on the part of the planners that too much publicity might result in consumption of all available units before there was time to collect and analyze sufficient data concerning the bondees and their on-the-job experience.

Secondly, it was feared that promotional activities would be counter-productive in that they might lead employers to require fidelity bonding for ex-offenders even though they had not done so in the past. (This would have resulted in a short run increase in demand for utilization of the bonding program. But it was seen as counter to the longer run hope of minimizing or even eliminating the need for special government supported bonding programs.)

For these reasons, bonding program Sponsors were warned repeatedly against "overselling the program." This message was stressed in the May, 1966, pre-implementation training conference for Sponsors and in informal communications between the Department and the Sponsors. One participant in the conference remembers being warned to avoid a "precipitate stampede of potential bondees."*

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*Report of a Bonding Sponsor, "The E&D Project: The First Four Months," undated.

As the program was implemented, however, it soon became clear that the problem was not too many bondees; it was too few. The bonding projects were considered to be operational in late June, 1966. A strong internal OPER memorandum in August, 1966, reacted to the fact that only a dozen people had been bonded during the first full month of bonding.

> The progress on bonding is so meager as to suggest failure. Give me a report on the steps you plan to make to make sure we do all we can to make it a success.*

A report for the Secretary prepared at roughly the same time was more cautious:

> First returns indicate that Government financing may not be a very significant aid in overcoming barriers to employment for such persons.
>
> In the first six to eight weeks of pilot operations by ten agencies, only 13 placements with such assistance have been made.
>
> Whether this means only that more start-up time is needed or that inability to secure commercial bonds had been used as an excuse to deny employment rather than a genuine problem remains to be seen; the next three to four months should provide strong evidence on this.**

The evidence of the "next few months" referred to in this memorandum is presented in Exhibit 5-1 below. As this figure shows, the pace of new certifications did not increase dramatically in the months after the August memoranda were issued. By the close of calendar 1966, only 74 individuals had been bonded. Roughly half of these individuals had been bonded through the six E&D projects which had been serving as Sponsors; roughly half had been bonded by the (originally four and then six) ES Local Offices which were also sponsoring

*Internal OPER memorandum, dated August 19, 1966.

**Memorandum for the Secretary of Labor, dated August 18, 1966.

Exhibit 5-1

Initial Progress in Bonding Program

(Calendar 1966)

Month	Number of New Bondees			No. of Terminations	Net Bondees
	ES Offices	E&D Projects	Total Certifications		
June	1		1	0	1
July	6	6	12	1	12
August	5	6	11	5	18
September	1	6	7	0	25
October	7	10	17	9	33
November	5	3	8	2	39
December	13	5	18	3	54
Totals:	38	36	74	20	

bonding projects. Moreover, 20 of the 74 bondees had already been terminated by that time, leaving a total active bondee population of only 54 by the end of the first six months of operational program activity.

This disappointing initial record led to a number of investigatory activities on the part of Departmental staff. USES staff members conducted field visits to the four ES bonding Sponsors in the summer of 1966. The summary report covering these visits indicated that ES Local Office staff believed that the following factors were serving as major barriers to the full utilization of bonding service:

- Employers simply do not want to hire felons...Bondability as a hiring requirement has frequently been used as a discriminatory device to screen out ex-offenders.
- Legal restrictions frequently bar from suitable employment persons whom the Employment Service could now bond.
- The tight labor market (of 1966) has caused employers to reduce hiring requirements (and therefore) more jobs are now available without bonding as a requirement.
- Some bonding companies insist on an exclusive contract covering all employees (and therefore employers choose not to participate in the federal bonding program, for fear of jeopardizing their bonding coverage on all other employees).
- The shortage of work-qualified applicants for presently bondable positions restricts full use of bonding service.*

It should be noted that these factors were based upon the impressions of ES Local Office staff; there were no efforts to determine, for example, the relative importance of each of the listed factors.

At the same time that the ES field visits were underway, the OPER (DMPP) planners who had participated in the bonding program design were given the assignment of reviewing the (lack of) progress of the projects to date, and preparing their own analysis.

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*Internal USES memorandum, dated October 12, 1966.

Both the USES and OPER reviews of the situation came to the conclusion that certain aspects of the program as originally implemented were not particularly effective and it would therefore be appropriate to revise the "model" somewhat in order to learn about the usefulness of different techniques and procedures. In particular, it was concluded that the concept of a self-implementing program did not appear to be appropriate. Since bonding without publicity was attracting a limited number of program participants, it was decided that it would be useful to learn whether or not the addition of promotional activities would make any difference. Accordingly, actions were taken to promote bonding among ES and E&D Sponsors, among employers, and among insurors:

> Local Office staff have been advised by the National Office to actively promote the bonding project with both applicants and employers.*

> In our judgment, it is now abundantly clear that this program is not self-implementing. It has to be sold not only to employers, but also to the surety bond industry...

> Ultimately, staff time will have to be spent developing relationships with selected employers and social welfare organizations concerned with rehabilitation of offenders, etc., to utilize the existing reservoir of empathy to make available jobs to client groups. One should not have to "sell" every employer in Chicago to place the few hundred bondees in our program.**

Following their review of these findings and conclusions, OPER officials decided to schedule a training session and "seminar" in December, 1966, for the purpose of gaining additional feedback from Sponsors and for transmitting suggestions for improved program performance.

The two-day session was designed specifically to:

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*Internal USES memorandum, dated October 12, 1966.

**Internal OPER memorandum, dated September 7, 1966.

...seek out why certain USES officers are using slots and others are not; and why certain of our (E&D) Sponsors have not filled even one slot; and finally, what can be done to make this program work.*

The results of this conference reinforced many of the conclusions reached by the OPER and USES staff in their earlier reviews and monitoring efforts:

- Although bonding was an important barrier to employment of ex-offenders, removal of this barrier does not guarantee placement;
- Additional flexibility was necessary in administering the projects at the local level;
- There may be major benefits from innovative promotional activities by local Sponsors.

Each of these is described below.

(a) Bonding as Necessary But Not Sufficient

Reports from sponsors of E&D projects had often suggested that bonding was a factor in the difficulty of placing ex-offender trainees. The initial months of experience with the Trainee Placement Assistance Demonstration Projects indicated that although bonding was necessary in many cases, it was by no means sufficient in overcoming employment barriers. In other words, ex-offenders with bonding were still facing problems due to lack of stable work records, employer prejudices, and so forth. This conclusion raised questions concerning whether "numbers bonded" was a meaningful criterion for usefulness of the program.

(b) Need for Flexibility

During the first months of the project, Employment Service personnel were found to be exceedingly cautious in determining whom they should bond in order to be assured that they were bonding the "right people." In general, ES Local Office staff appeared to be unwilling to "take a chance" on a bondee unless the eligibility of that individual were clear from some predetermined guideline or regulation.

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*Internal OPER memorandum, dated November, 1966.

Given this attitude, OPER staff members began to give increased emphasis to encouraging Sponsors to be flexible in determining who should be bonded and to take a chance on men and women who were able to meet the single criterion: "could be placed in a job except for the fact that they cannot be bonded." Thus for example, bonds could be used for cases in which employers refused to hire ex-offenders without them, even if there has been no previous requirement that employees be bonded. This point was stressed in the December, 1966 meeting and at subsequent meetings as well.

The redefinition of the bonding program target group can be considered another example of administrative flexibility. This redefinition is discussed in Section 5.4.2 below.

(c) Use of Promotional Activities

Given the small numbers of job seekers who had been bonded during the early months of the program, OPER staff members began to encourage publicity for bonding activities in an effort to determine whether such publicity would make any difference. In response to this encouragement, local Sponsors initiated a wide range of promotional and related activities. In several cases, posters publicizing the program were distributed.* A summary of some of the other activities undertaken by most Sponsors is presented below:

- The use of quotas for counselors and job developers. Counselors were given a quota of profiles for potential bondees to submit; job developers were given quotas for bonding job orders.
- High emphasis to bonding program in staff meetings; active relationship between bonding coordinator and counseling staff
- Explicit attention to the possible objections, prejudices, or fears which employers might feel concerning hiring ex-offenders. Discussion of these matters at staff meetings.
- Issuance of explicit instructions to job developers to "discuss and promote the project with employers during field visits and telephone calls."

*A copy of one of these posters is included in Appendix A to this paper.

- Explicit attention at staff meetings to techniques of explaining the availability of bonding to individuals who might be concealing their need for this service.
- Use of television programs for publicity, especially "Opportunity Line" programs which seek to promote job matching through the Employment Service.
- Attempts to contact all federal, State, and local penal institutions in the area to acquaint them with the project. Specific attempts to discuss the program with counselors and parole officers at these institutions.
- Direct outreach to prospective parollees while they are still incarcerated.
- Distribution of promotional flyers to employers and relevant community agencies.

Shortly after the December, 1966, training conference, the pace of bondee placements increased. Although analyses of specific sponsor techniques and rate of utilization of bonding units were not conducted, there was general agreement in OPER that the decisions to promote flexibility and permit promotional activities were good ones.

This understanding was supported by the finding that those Sponsors which appeared to be bonding the greatest numbers of job applicants were those which appeared to have the most aggressive approach, and the greatest commitment to utilizing the program. Thus, according to one OPER official:

> There were some important variations in performance at the sites. The biggest factors were the man in charge of bonding at the site and the presence or absence of a screen-out philosophy among ES Local Office staff.

A USES official concurred, adding that there was a tendency on the part of some ES Local Office staff to "screen out those who needed the bonding most," because they "viewed their job of serving employers as more important in the long run than the promotion of ex-offenders into jobs that required bonding."

5.4.2 Redefinition of Target Population

As indicated in Section 4, both the Congress and the Department had thought that the primary beneficiaries of the bonding program would be MDTA training program participants. But, as the number of bonding placements remained substantially below intial predictions, greater emphasis was placed upon the phrase "participated in federally assisted...counseling" in the Section 105 bonding legislation. This clarification stressed the fact that since anyone coming to an ES Local Office or E&D project generally received some counseling, if he or she needed bonding to get a job, he or she could be considered to be in the primary target group for the program.

In other words, OPER officials recognized that there appeared to be less demand for bonding on the part of training program participants than had been anticipated, and they were flexible enough to adapt the program to meet the greater needs of other groups -- namely the general ex-offender population. Although the official program name remained the same, Trainee Placement Assistance Demonstration Project, the OPER staff acted to redirect the program to a larger target group than MDTA trainees.

The effectiveness of this shift in direction is perhaps most clear in the case of the program expansion to cover the "251" inmate training graduates. According to a report on this aspect of the bonding program prepared by the Experimental Manpower Laboratory for Corrections:

> As originally envisioned, (this aspect of the) bonding project was focused on helping the ex-offenders who had "251" training, but as it turned out, the bonding project has been more successful in assisting ex-offenders with varied experiences and backgrounds who could not obtain the job without the bond...

An apparently significant finding in this analysis reveals that 6 (5.2%) of the bondees had some 251 training.*

In this case as others, the implementation of the bonding projects appeared to demonstrate that the program was useful for many ex-offenders, but not primarily for the originally targeted MDTA trainee groups.

This redefinition of the program target group and priorities was first presented to the bonding program Sponsors at the December, 1966, training session, and was re-emphasized periodically at other training sessions. Although it is impossible to attribute any causal inferences to this fact given the available data, bonding placements appeared to pick up substantially following the December 1966 training.

5.4.3 The Attempted Addition of "Bonding Assist" Data to the Reporting System

The slow pace with which the bonding program got off the ground had other impacts upon the program design. As the total number of bondees placed remained significantly below Departmental expectations, a growing belief developed that the program was providing other benefits which did not appear in the available reporting system data. In particular, the belief developed -- and continued throughout the life of the program -- that the program was having widespread impact beyond the small numbers of individuals who were utilizing bonding units.

Thus, for example, the initial field visits to ES Sponsors in the summer of 1966 revealed that Sponsors believed that there were numerous incidents in which employers agreed to hire job applicants, once they knew that a bond was available for them. In other words, the belief grew that in some cases it wasn't the bond that was standing as the barrier to employment of ex-offenders, but rather, it was the "unbondability" of the job applicant, or the employers' belief that they could not hire such persons because their bonding companies forbade them to do so.

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*Bonding Assistance: Demonstration Project in the Prisoner Training Programs, Experimental Manpower Laboratory for Corrections, 1972; p. 12.

In the fall of 1966, two State Employment Service Sponsors presented statistics which indicated that the number of individuals placed when employers merely knew about bonding far exceeded the number of individuals placed through actual utilization of the program. In what was to become one of the most widely quoted statistics about the program, the California Department of Human Resources reported that during the early months of the program, there were roughly eight "placements without bonding" for every bonding placement.

In order to gain a more comprehensive understanding of this important effect of the bonding program, the USES staff developed the concept of a "bonding assist," and defined it to be a placement which was made possible when an employer was told about the program and then agreed to drop the bonding requirement for the job applicant as a result.

It had been anticipated that accurate records of such cases would have been possible as a result of the utilization of the MT-110 forms, but, as described above, these forms generally were only filled out for placements in which the bonding program was actually utilized. In response to this finding, the USES issued a memorandum in the spring of 1967, reiterating the importance of ES Sponsors acting to

> ...instruct all the interviewers and counselors utilizing the bonding program to report all instances in which availability of bond was discussed with the applicant and the employer, and although no bond was certified, its availability was a definite factor in the placement which resulted.

Compliance with this request was sporadic; only a few Sponsors reported bonding assists on a systematic monthly basis. The scattered evidence received by the USES suggests that the initial estimate of an 8 to 1 ratio was somewhat excessive. Review of a number of monthly progress reports from one State which produced regular reports indicates that in many months, the number of assists fell below the number of bondings.

But despite this lack of corroborating evidence, the original statistics continue to be supported by observations by Sponsor staff, and the belief has persisted that the program is promoting large numbers of placements which do not show up on the monthly status reports.

Thus, for example, the 1972 Experimental Manpower Laboratory report on the bonding experience with the "251" projects includes the following statement:

> It is quite clear that the availability of bonding has helped several job-qualified ex-offenders receive jobs they would not have received otherwise...
>
> The data do not reflect the numerous job placements that were made by...(project staff) merely because they mentioned that the bonding was available to employers. However, almost all (the staff) reported that they had placed several ex-offenders without having to negotiate the bond. It appears that the bonding project has had immeasurable far-reaching effects. The mere mention of the bond has apparently helped many ex-offenders land productive jobs.*

5.4.4 Relaxation of Restrictions on Unit Utilization

As the bonding program developed and experience with bondees and employers grew, program Sponsors began to make suggestions to modify certain elements of the program design. Two such suggestions were advanced by a large number of Sponsors, both informally and in reports to the Department.

First of all, Sponsors indicated that employers often demanded bonding coverage in excess of the 10 units per month ($5,000 limit) specified in the contract with the United Bonding Insurance Company. Secondly, Sponsors felt that the one-year limit on length of coverage in the program directives was inadequate and might cause participants to lose their jobs after the one-year period was over.

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*Bonding Assistance: A Demonstration Project in the Prisoner Training Programs, p. 12.

In response to these reports, OPER staff considered relaxation of these two limitations on unit usage. There does not appear to have been any objection to these changes, probably because they would have the double result of improving the attractiveness of the program to employers and of increasing the still lagging rate of unit utilization. The following changes were therefore included in a June, 1967, McLaughlin contract modification:

- The maximum monthly usage of bonding units was raised from 10 to 20 per bondee. This had the effect of doubling the maximum permissible coverage from $5,000 to $10,000.
- The restrictions on length of bonding were removed so that participation in the program could continue as long as was necessary to enable employees to keep their jobs.

5.4.5 Renegotiation of the Price per Bonding Unit

A contract modification executed on June 17, 1969, had the eventual result of lowering the premiums paid by the Department from $1.75 to $.70 per bonding unit. This 60% reduction in costs can be attributed in part to the 2% low default rate for bonding program participants and resulting loss experience and in part to the exigencies of the Departmental funding cycle.

The immediate factor requiring renegotiation was funding difficulties facing the program in the first half of 1969. On the one hand, there were plans to expand the program to the "251" inmate training projects, and possibilities of further expansion beyond this. On the other, it was doubtful whether sufficient funds could be appropriated to carry the expanded program forward at the $1.75 premium rate. Future funding beyond fiscal 1970 was even more uncertain.

OPER staff members apprised the United Bonding Insurance Company staff of these factors. In the opinion of OPER staff, the bonding program was demonstrably useful, but was now in danger of being closed down for lack of funds. The OPER staff believed, however, that there was a good chance that the program could continue, if the underwriter were to propose some contract

modifications which would demonstrate the confidence which it held in the program, and which would allow bonding activities to go forward while appropriate funding was being sought.

After some negotiation, the underwriter proposed, and the Department accepted, the following changes:

- An additional 35,000 bonding units would be purchased with funds available under Section 105 of the MDTA at the original $1.75 unit price.
- Any additional bonding units required to carry the program through calendar 1969 would be provided by the bonding company at no cost to the Department.
- Any units required by the Department after calendar 1969 would be supplied at $0.70 per unit, provided that certain minimum purchase agreements could be made.

These changes were incorporated in the June, 1969, contract modification. An agreement to purchase the additional units at 70 cents a unit was completed in February, 1970.

In the first instance, the lowerirg of the rates represented a direct response to the belief that if such action were not taken, the entire program would be jeopardized. But the low default rate experienced by the program also played a critical role. It is clear, in particular, that had the default and loss experience not been satisfactory to the underwriter, it would not have agreed to lowering the rates so drastically. Had United Bonding felt that such a change in premiums was unacceptable, it would have chosen to terminate the program rather than to make continuation possible.

Although the initiative for the change came from the Department, the lowering of the bonding premiums from $1.75 to 70 cents, therefore can be seen as a response to what was considered to be a low rate of default of bonding program participants and low level of losses experienced by the bonding company.

5.4.6 Coverage of Eighteen-Month Bondees

The 2 percent default rate encountered in the program also played a role in a second major innovation in the bonding program design, the December, 1970, agreement by the United Bonding Insurance Company to provide coverage at "comparable commercial rates" for bonding program participants who had successfully completed eighteen months in the program.

Review of reports provided by Sponsors and the monthly accounting reports provided by the McLaughlin Company revealed to OPER staff members that, in many cases, bondees remained in the program far longer than the originally conceived one-year limit. Follow-up inquiries by OPER and USES staff members led to the conclusion that, in many cases, such coverage was essential in order for the bondee to keep his job, because the employers could find no other avenue to bond these "bonding program graduates" who had presumably proven their value as trusted employees.

After discussions of this problem were held with officials of the United Bonding Insurance Company, an agreement was reached wherein the underwriter would accept -- upon request -- bondees who had participated in the program without default for eighteen months or more. As was the case in the rate reduction, such an agreement probably would have been impossible had the underwriter not believed that the default rate and low level of wages justified the change.

OPER staff members viewed this agreement as a "breakthrough" and hoped it would stimulate other underwriters to accept bonding program graduates as well. There is, however, little available evidence that this has happened.

5.4.7 Changes Under the National Program

Comparison of the TESPL 2624 issued in January, 1971, which described the structure and functioning of the Federal Bonding Program, with MAO-2-66, issued in February, 1966, and its supporting documents, reveals that expansion

to the status of a national program apparently left the Trainee Placement Assistance Demonstration Project virtually unchanged. The only significant modification in the program design and administrative procedures was the elimination of the requirement to complete MT-110 forms, and the transfer of the remaining monitoring responsibilities from OPER to the USES Division of Placement.

Attachment 1 to the TESPL provided the guidelines for administering bonding as a national program, distinguishing between the responsibilities of the State Employment Service agencies (which now became the "Sponsors") and ES Local Offices. Sponsors were assigned the responsibility for training ES staff concerning bonding program operations, arranging for coordination of bonding with other federally financed training and/or work experience activities, certifying forms prepared by local offices, and insuring that local office staff maintained liaison with employers of bondees. Although no specific reference was made to staff or financing, it appears clear that these functions were to be conducted without additional staff or funding.

Under the national program, ES Local Office responsibilities include identifying persons needing fidelity bonding coverage, determining their eligibility for the program, identifying suitable job opportunities, referring applicants, verifying employment, completing required forms and conducting periodic follow-up to determine if the bondee has changed jobs or is still employed.

The absence of changes in the program structure at this time is underscored by the fact that no modification of the on-going contract with the United Bonding Insurance Company and McLaughlin was made. The relationship between the Department and its contractor underwriter continued unchanged.

In short, the transfer to national status resulted in no significant changes in the bonding program. Nor have there been significant changes since that time. In retrospect, the reasons for the absence of any modifications

appear to have been the continuing consensus that the program was useful as it stood, and the lack of any data which indicated that any variation in program design or administrative structure would make the program any more effective.

5.5 The Second Procurement

As was discussed in Section 4, many of the bonding program designers had hoped that the experience with the program would be sufficient to persuade insurers to modify their exclusionary bonding policies, thereby eliminating the need for future Departmental bonding activities altogether.

This concern with bringing about change in the insurance industry was continued when the program became a national program under the Employment Service. Thus, according to an Acting Associate Manpower Administrator for the U.S. Employment Service:

> One of the objectives of the program is to change surety companies' attitudes to a degree where they would accept ex-offenders for fidelity bond coverage...
>
> We need the support of influential and reputable surety association members in order to persuade insurance companies to change their policies...*

As the Federal Bonding Program proceeded without any noticeable problems, the conviction that the program had proven its utility grew within the USES and elsewhere in the Department. Although detailed analysis of program outcomes was not available, it seemed clear that thousands of individuals had been bonded, and only a handful had defaulted.

In addition to this, there were reports of isolated instances in which insurance companies had made limited exceptions from their exclusionary policies for specific clients. In the absence of closer communications with the fidelity bonding industry, these reports served to further the belief that the bonding

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*Memorandum from USES to OPER, dated May 5 1972.

program was also achieving success in terms of the expectation of promoting institutional change in the insurance industry.

Confidence in the effect of the program upon insurers was a major factor in the Department's decision to avoid any further extension of the original bonding program contract after its (eventual) expiration date of July 31, 1972. Instead, the USES and OASA decided that this would be an opportune time to "test the waters" with respect to insurance industry interest in the bonding program, by conducting a new procure[illegible] new procurement was designed as an RFP instead of an IFB, because t[illegible]strument was thought to be more flexible and therefore its utilization would:

> ...encourage more insurance companies or agents to come forward with proposals as opposed to the original contract for which only one company bid.*

The Employment Service explicitly noted that the number of responses to the 1972 bonding program procurement could be considered a criterion of the program's success with respect to the institutional change expectations:

> The number of responses to this RFP should give some indication of the program's impact upon the insurance industry.**

But, as was the case in 1966, there was only one bid. In 1966, the bid had been from the McLaughlin Company representing the United Bonding Insurance Company of Indiana. In 1972, it was the McLaughlin Company representing the Summit Insurance Company of New York and Houston. The only change was that a

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*Memorandum from USES to OPER, dated May 5, 1972.

**Ibid.

new company had replaced the original bidder.*

The Summit Insurance Company entered a bid of 85 cents per unit, slightly higher than the previous premium charged to the Department under the original contract as modified, based upon statistics the McLaughlin Company had prepared to show an increase had incurred on their "incurred loss ratio" for 1971.

After a review of the single proposal, the Department decided to enter into a contract with Summit according to the proposed terms. Contract L-72-155 was executed on June 30, 1972, with a period of performance extending from July 1, 1972, to June 30, 1975.

Aside from the difference in cost per bonding unit, the new contract differed from the original primarily by including a specific work statement and more detailed reporting requirements; i.e., for bondee social security number, and SIC and DOT codes for the bondee's employment.

The disappointing response to the second procurement can, in part, be explained by the fact that few of the insurance industry attitudes described in Section 4, were any different in 1972 than they had been in 1966. According to industry sources, many major insurers still saw the bonding program as a rather small endeavor and maintained their disinclination to

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*In fact, there was a third insurance underwriter in the program between the United Bonding and Summit Insurance Companies. Shortly after the transition to the national program in early 1971, the United Bonding Company was removed from the list of firms qualified to do business with the federal government. (This disqualification was for activities which were wholly unrelated to the bonding program) United Bonding had been involved in a re-insurance agreement with the Indiana Bonding and Surety Company which then agreed to assume all obligations under the Departmental contract. No changes in the program operation resulted from this change. When a new procurement was issued, the McLaughlin Company decided to submit a proposal with Summit, rather than with the Indiana company, because of the stronger position of Summit in the industry.

participate in either competitive procurements or major programs which prevented them from "screening" bondees.

The data collected and presented by the Department of Labor in the RFP, such as the 2% default rate, were not sufficient to convince insurers that their previous attitudes towards the riskiness of bonding ex-offenders were incorrect. Comparable figures were not available from the Surety Association, and some fidelity bonding specialists believed that the 2% default rate was considerably higher than that normally taking place among those who were commercially bondable. Moreover, "default rates" were not a particularly meaningful term to members of the Surety Association, however useful they were as an analytic concept to the Department of Labor.

Despite the more than five years of experience with the Federal Bonding Program, major insurers noted that the total number of federal bondees was very small compared to their ordinary volume of business. Finally, there appears to have been a widespread belief among insurers that most embezzling activity takes place only after individuals become trusted employees.* Therefore, any data based upon only eighteen months of coverage would not, in their opinion, be adequate or relevant.

It has also been suggested that the responses to the RFP were discouraged by a belief that the existing underwriter contractor was fairly certain to win the contract in the absence of any unusually low bid from competitors. If this were the case, major insurers would have considered it wasteful to take the time and effort required to bid on the contract, especially given the low level of dollar pay-off.

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*One private industry study revealed that the average time from hiring to default was three years and three months.

5.6 Rejection of Recommendations for More Staff

The issue of appropriate levels of staffing for the bonding program at both the National Office and local Sponsor levels was raised at several points in the history of the bonding program. Many internal Departmental analyses of the implementation of the bonding program included recommendations for more staffing at the National Office level; a number of Local ES Offices serving as Sponsors also made requests for such staff. In almost every case, these recommendations and requests were turned down.

5.6.1 Requests for Local Office Staff

The original four ES Sponsors of bonding projects had each been assigned between one half and one and one half full-time profesisonal staff equivalents to administer the bonding activities. But when decisions were made to expand the program to additional ES offices, these decisions entailed no new authorized positions. Requests for such positions were made by a number of bonding sponsors, but they were invariably turned down.

The Sponsor requests for staff were justified on a number of grounds. A number of Sponsors indicated that shortages of staff were hampering their efforts at data collection and analysis. Others sought additional funding and staff to augment their ongoing bonding efforts in order to enhance their operational effectiveness and research capabilities. Thus, for example, a 1968 report by one Sponsor proposed expansion of its project with the following staff to deliver service and conduct statistical activities:

> The augmented bonding project should have attached to it two MDS's (Manpower Development Specialists) who would also be capable of doing expert counseling in conjunction with their job development duties.
>
> In addition, there should be at least one job coach assigned to work closely with bondees. If the Department of Labor could be convinced of the need, a research assistant to keep bonding records, maintain statistics and provide interpretative evaluations should

be included. All supportive services would be at the disposal of such a bonding unit.*

This Sponsor eventually proposed creation of "bonding teams" within Sponsors including a coordinator who plans trainings and directs team activity as well as conducts educational and informational campaigns to the public and to employers, two job developer-counselors, one research assistant, one coach, and one secretary.

Other Sponsors indicated that they wished additional staff in order to be able to conduct follow-up on bondees. This last motive was also endorsed in a Departmental memorandum which noted that:

> There has not been enough follow-up on persons where the employer might be willing to use his own (bonding) company after a year or two of coverage...or drop the (bonding) requirement altogether. This is due to a lack of personnel to follow up.**

None of these reasons was considered sufficiently persuasive to justify the additional staff allocation. OPER and USES staff generally agreed that State Employment Service agencies were always asking for more staff for a variety of purposes, and that they frequently did not utilize the additionally funded positions for the purposes for which they were originally requested. Given this pervasive pattern of requests, and a conviction that the bonding program appeared to be operating as effectively in those sites as in the original implementation sites with no additional staff, the requests were turned down.

This conviction that "things seemed to working out ok" was a particularly critical factor in the decisions not to fund additional positions for follow-up. Given the consensus that the program had already proven itself through available data, it was difficult to justify the high cost of follow-up --

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*Bonding Sponsor internal memorandum, dated December 12, 1968.

**Internal OPER memorandum, dated March 25, 1969.

including the costs of monitoring and pressing to insure that follow-up be conducted in a responsible manner -- in terms of the benefits to be derived. OPER officials have indicated that they had been dissatisfied with some of the follow-up activities conducted for other manpower programs and were by no means confident that bondee follow-up conducted by local Sponsor staff would be any more accurate.

5.6.2 Requests for Additional National Office Staff

A September, 1966 internal OPER review of the implementation of the bonding program first sounded a theme that was to be repeated in additional assessments of the program for the next six years. The reviewers came to the conclusion that if implementation of the bonding program were to be accelerated, it would be necessary to "make arrangements for assuring adequate inputs of executive direction and staff resources in the (OPER) Office of Special Manpower Programs." The memorandum made the judgment that

> One senior staff person must be assigned to this program on a full-time basis for at least six months if it is to be made operationally successful.

This stress upon the need for full-time staffing of the program was repeated in 1971 in a memorandum from OPER to USES shortly after bonding became a national program. The memorandum noted the OPER "concern" that USES plan ahead to provide adequate National Office staffing because "this effort breeds many inquiries, problems of detail, and requires close relations with the bonding company." The OPER conclusion was that it was

> necessary that USES assign a specific position full-time for this responsibility, with occasional backup from others in the responsible unit.*

But despite these and similar memoranda, the bonding program was never assigned a single full-time staff member at the National Office level, either

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*Memorandum from OPER to USES, dated March 18, 1971.

when it was an E&D effort or when it became an operational program. Each of the OPER project officers for the Trainee Placement Assistance Demonstration Projects had additional assignments as well. None of them ever spent more than half-time on the bonding program in a given year.

Similarly, the USES Division of Placement never assigned a full-time staff member to the administration of the Federal Bonding Program. At present, USES staff estimate that the bonding program occupies no more than four professional man-days per month.

In general, OPER and USES administrators have justified these decisions not to assign additional staff to the program on the grounds that bonding was just one of many programs and projects competing for increasingly scarce Manpower Administration staff resources. There was no possible way that all of these requests for additional staff could be met, especially at a time when the Department was beginning to endorse a philosophy of decentralization which called for fewer rather than more National Office personnel. Given this context, OPER and USES administrators evidently decided that other programs and projects had greater needs for staff than the bonding program which appeared to be getting along quite well as it was. Moreover, some Departmental staff have indicated that the bonding program was considered to have been better staffed than many comparable E&D efforts.

But whatever the rationale, the decisions relative to the inability of the Department to commit additional staff resources to the administration of the bonding program have had a number of important effects upon its evolution. Not the least of these has been the inability of OPER and USES staff to conduct more program monitoring and in-house analysis of program performance. The operational requirements of running the program appear to have precluded activities which did not have top priority. High level E&D staff believed

that there was limited value in incremental amounts of program analysis, in relation to the time and skills required to do the job properly. The perceived options were (a) a substantial infusion of resources to conduct detailed analyses properly or (b) no significant increase in analysis activities. The latter option was adopted.

Similarly, OPER and USES officials were aware of the benefits which might derive from additional contacts with the Surety Association and leading fidelity bonding underwriters. But the press of other responsibilities never permitted any significant follow-through in this area either.

5.7 Legislative Developments

The relatively slow pace of utilization of the bonding program limited the ability of the Department to make definitive judgments concerning the viability of the approach being tested during the initial period of the contract. Therefore, the Department sought -- and Congress granted -- two extensions of legislative authority for the program, first through fiscal 1968 and then through fiscal 1970. The following statement by the Assistant Secretary of Labor summarized the rationale for these extensions:

> Experience thus far under the bonding program has been too limited to afford even preliminary conclusions. Extension of the existing authority...for one additional year is highly desirable since it will afford additional data upon which to make a sound assessment of these experimental approaches to manpower services.*

While the relatively low number of bondees during the early months of the program prompted the initial request for an extension, the request also reflected the growing belief within OPER that both the Congress and the Department as a whole should recognize the fact that it was not likely that

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*Statement of Stanley Ruttenberg before the Senate Subcommittee on Employment, Manpower, and Poverty, on the Manpower Development and Training Amendments of 1966 (H.R. 16715) enacted by the House of Representatives on September 19, 1966, dated September 27, 1966.

conclusive returns could be obtained from any complex E&D effort in only one or two years.

With the beginning of a shift away from categorical programs in favor of comprehensive legislation, the Department of Labor decided against seeking further specific funding authority for the bonding program under Section 105. Instead, the projects were continued under the broader E&D authorization contained in Section 107 (6) of the Act. Although some question was raised concerning the appropriateness of this shift, a November, 1971 opinion of the Department's Solicitor affirmed the legislative grounding for this in the language of the Act, its legislative history, and the inclusion of bonding provisions in the Congressionally passed Employment and Manpower Act of 1970.* In short, it was the Department's position that "the project was necessary to further improve the techniques of such bonding assistance" and "to demonstrate its effectiveness."**

The enactment of the Comprehensive Employment and Training Act (CETA) in December, 1973, raised a number of important questions regarding the future of the bonding program, but as of January, 1975, these questions have not yet been fully resolved.

Thus for example, "assistance in securing bonds" is explicitly cited under the Title I listing of activities which may be included in Prime Sponsor comprehensive manpower programs. This means that bonding is one of the many types of manpower service tools which Sponsors have legal authority to use if they so choose. This reference to bonding in Title I does not rule out direct federal support for bonding nor does it presume that Sponsors would be able to do it if they tried. Based upon the experience of the bonding program to date,

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*Section [illegible] (a) (15).

**Memorandum for the Assistant Secretary for Manpower from the Solicitor.

it is by no means clear that commercial bonding for ex-offenders can be negotiated by individual Prime Sponsors with individual insurance underwriters at reasonable rates, or even at all.

In addition to this Title I reference, the preponderance of ex-offenders in the bonding program target population appears to provide authority for federal fidelity bonding activities under Title III of the Act because of its reference to "procedures to insure that (offender) participants are provided with such manpower training and support services which will enable them to secure and obtain meaningful employment." Although some consideration has been given to the relationship of bonding to other Department of Labor offender manpower activities, no final decisions on these issues have been made to date.

5.8 Funding for the Program

As is shown in Exhibit 5-2, the funding for the bonding program directly reflected its legislative history. During the years when the Section 105 legislative authorization for the program was operative, funding for the program was earmarked in appropriations for this Section of the MDTA. With the expiration of Section 105 in fiscal 1970, funding for the program was drawn from two sources. E&D funding from Section 102 (6) was utilized in addition to funding from the MDTA Title II unapportioned account. Finally, with the expiration of the MDTA in fiscal 1974, the most recent allocation for the program was from Title III of CETA.

Exhibit 5-2

Funding for the Bonding Program*

Calendar Year	DOL Allocation	Source
1966	$175,000	MDTA -- Section 105, Title I
1967	43,750	MDTA -- Section 105, Title I
1969	61,250	MDTA -- Section 105, Title I
1970	70,000	MDTA -- Section 102 (6)
1970	70,000	MDTA -- Section 102 (6)
1970	100,000	MDTA -- Unapportioned Account, Title II
1972	350,000	MDTA -- Unapportioned Account, Title II
1974	300,000	CETA -- Title III

*Source: undated OPER memoranda and conversations with OPER staff.

6.0 HISTORICAL ANALYSIS

The previous sections of this report have provided a detailed description of the history of the bonding program from the first Departmental planning activities through the passage of the Comprehensive Employment and Training Act (CETA) of 1973. This final section reviews this history from a broader perspective, placing it within the context of on-going developments in manpower programming in the Department, as well as within the context of the Departmental experimental and demonstration (E&D) process.

The bonding program is one of many operational manpower programs and techniques which were first conceived and implemented as experimental and demonstration (E&D) projects. The Concentrated Employment Program (CEP), the Job Opportunities in the Business Sector (JOBS) program, the Section 251 inmate training projects, the New Careers Program, the Human Resources Development (HRD) concept, and the idea of MDTA Skills Centers can all be traced to exploratory efforts sponsored by E&D.

But the bonding program appears to be somewhat unique in the degree to which it has been adopted by State and local operating agencies without any further categorical authorization of infusion of funds from the Department of Labor. For this reason, it is instructive to review the administrative history of the bonding program in order to isolate some of the major elements which shaped its evolution.

6.1 Program Origins

The origins of the bonding program relate directly to the increased Departmental priority being placed on the problems of disadvantaged job seekers and ex-offenders in the mid-1960's and the consequent focus upon these groups in a series of experimental and demonstration (E&D) projects.

These E&D projects were designed to be "active, flexible, probings to explore the new techniques and structures which might better meet the (Manpower Development and Training) Act's objectives;" their purpose was described as "developing knowledge in order to influence the direction of future (manpower) programs."*

As such, the E&D efforts were at the forefront of the emerging Departmental concerns relating to the employability problems of the "hard core" job seekers, who apparently were not being helped to their fullest employment potential by the existing MDTA training programs. The bonding efforts thus epitomized experimental and demonstration projects in terms of intent. They differed, however, from most E&D efforts in one important aspect; they were specifically authorized by the Congress. Thus the bonding projects--along with a parallel set of labor mobility projects and a subsequent set of inmate training projects--represented cases in which the Department had singled out certain projects for Congressional consideration and in which the Congress responded positively.

The bonding projects were evidently chosen for this priority treatment because of the Department's desire to demonstrate that it was taking direct action to aid in the placement of the disadvantaged and ex-offenders, and because of the promise which bonding held for producing job placements for relatively modest government effort. Although the bonding projects were still forced to compete for staff with other E&D projects, and with ES National

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*These quotations have been taken from a discussion of the E&D process contained in the 1969 Manpower Report of the President. That discussion of the E&D process through 1969 is the basic source of descriptions of E&D presented in this Section.

Office programs, this direct recognition of the programs (and separate authorization) undoubtedly played an important role in insuring that the program received as much staffing and attention as it did.

6.2 The Design Phase

Two important characteristics of the design phase of the bonding program were the priority attached to maintaining flexibility and the utilization of input from agencies in the Department other than OPER.

The maintenance of flexibility lay at the heart of the E&D approach, which stressed "exploratory research" and the need to answer basic questions of feasibility and utility of new and innovative approaches as a first step towards improvement and enhancement of operational programs.

This approach explicitly rejected the development and implementation of a formal experimental design to determine whether or not hypotheses should be accepted or rejected. Instead, the approach said, in essence, "we've got a promising idea here; let's try it out and see what happens." Thus, for example, the OPER program designers recognized the likelihood that it would be desirable to modify certain aspects of the bonding program with the passage of time, and therefore never developed a formal, detailed program "model." Program designers likewise did not draw up detailed guidelines for program eligibility, but rather pressed ES Local Office staff to "decide for yourselves" as to who met the criterion of being qualified for a job but unable to be hired solely due to inability to be bonded.

This OPER emphasis upon a flexible, exploratory approach facilitated the modifications in program design which later occurred, and also permitted the implementation of the bonding projects without any extensive National Office monitoring efforts. It also had a number of other important implications for

the evolution of the bonding program. In particular, the absence of a formal research design and explicit program goals meant that there were no obvious standards against which program performance should be measured.

During the late 1960's, OPER staff became satisfied that the available statistics, such as number of individuals bonded and default rate, and the supporting testimony from bonding program Sponsors were sufficient to indicate the feasibility and utility of the basic approach. This growing satisfaction, in turn, led to judgments that additional data collection and analysis efforts were not necessary at the time. Due to the difficulty in collecting data on bondees after the fact, these decisions to eschew additional data collection meant that certain questions concerning program results can never be answered.

The participation of non-OPER staff in the design of the bonding program is a second noteworthy element in this phase of its history. Thus, for example, the inclusion of staff from the USES as early as the program design phase may well have had an important impact upon the widespread acceptance of bonding -- and demand for its expansion -- among Employment Service State and Local Office staff. This recognition of the utility of the involvement of those agencies who might adopt the products of research in the initial development of that research is only now emerging as one of the key findings in the field of research utilization and dissemination.

OPER planners were able to draw upon the expertise of other agencies in the Department as well. Thus for example, the advice of a surety bonding specialist from the Labor-Management Services Administration was of major importance during the design phase. Similarly, once the OPER staff had agreed upon broad program parameters, input from the Office of the Assistant

Secretary for Administration (OASA) was critical in the development of a procurement document and procedures to choose the underwriter contractor to implement the program.

In retrospect, it appears that the involvement of the OASA staff resulted in a lessening of program flexibility, which OPER program designers had not anticipated in advance. Despite the fact that OPER staff were stressing a flexible program, the OASA staff were oriented towards the idea of a "tight contract." Thus, the involvement of OASA led to the development of an Invitation for Bids (IFB) which clearly spelled out the responsibilities of the government and its contractor, and offered participation in the program on a "take it or leave it" basis, with no room for negotiation on any aspect of the program other than premium per bonding unit.

Although a wide range of Department of Labor staff were involved in the program design decisions, this was not true of representatives of the fidelity bonding industry. Some contacts with the Surety Association and other underwriters and brokers were made at this time. But OPER program designers generally believed that the industry would not be responsive to such efforts and therefore they gave a lower priority to contacts with the fidelity bonding industry than to other aspects of project development.

The single response to the initial IFB (and subsequent single response to the RFP) served to confirm these beliefs on the part of OPER officials, and the development of further contacts with the industry continued to be awarded a low priority. As a result, the Department apparently never learned the true nature and extent of industry uneasiness about the program, and about the manner in which the procurements were being handled. Without this understanding, there was no possibility for a Departmental response to the

industry's major concerns. While it cannot be said with certainty that better communication with the fidelity bonding industry would have promoted more industry participation in the procurements, or increased institutional change within the industry, the absence of such communication appears to have ruled out any potential for major institutional change.

6.3 The Implementation Phase

As indicated above, E&D projects were intended to represent flexible, exploratory efforts to determine whether or not a given idea was feasible and useful in practice. The bonding program was explicitly designed to be such an effort, and the early years of its implementation phase reflected this flexibility. With the passage of time, however, the growing conviction that the program had proven useful, without incurring major monetary or staff costs, led to a situation in which there was very little perceived need for further modifications in program design.

During the first few years of the bonding E&D project, perceived problems in program operations led to modifications in the definition of the primary bonding program target group (from MDTA trainees alone to all ex-offenders and others who could be helped by the program), in the policy against promoting the program through publicity, in the maximum amount of money for which an individual could be bonded, and in the maximum amount of time for which an individual could be bonded.

In addition, OPER program administrators remained responsive to requests from State and Local ES Offices, and from other Manpower Administration staff seeking to include bonding as a component of employability development programs. Although Statewide sponsorships were not part of the original concept, they were adopted in response to demand. Although the program was

planned on a small scale, it was expanded to support the Departmental program initiatives in the areas of training the disadvantaged and ex-offenders.

When it appeared that further expansion was being limited by lack of administrative resources which could be brought to bear on the program, an innovative arrangement was entered into with an on-going E&D project (the Experimental Manpower Laboratory for Corrections at the Draper Correctional Center at Elmore, Alabama) to explore the feasibility of the project serving as a "central resource unit" for a large-scale bonding program. This utilization of the Draper staff permitted expansion of the program on a far greater scale than had previously been possible thereby helping to pave the way for a national program.

But after the initial emphasis on program flexibility, there were increasingly fewer indications of operating problems in the program, and thus there was a reduced impetus for change. As a result, the design for the national program remained virtually identical to that of the Statewide sponsorships which had been first implemented in 1967; and with one or two minor exceptions, there have been no changes in the basic bonding program design during the period since it has become a national program.

This absence of change is largely the result of OPER, and later USES, satisfaction with the manner in which the program was operating. After the first year of program operations, it was becoming clear that the bonding program was providing an average of several hundred placements per year for people who could not be placed in those particular jobs without bonding. Moreover, this result was being achieved at a cost which averaged no more than $100,000 per year and with less than a single full-time equivalent staff person at the National Office. The program appeared to be in great demand by

State and Local Employment Service officials. There appeared to be little reason to tinker with a "successful program."

Accordingly, OPER and USES staff decided against committing additional staff to the administration of the program, and against committing significant increments of funds to more detailed analyses of program results, because of a belief that, given this "smooth sailing," such staff and funds could be better utilized elsewhere.

These judgments also decreased the likelihood of increased future emphasis on other aspects of the bonding program. In particular, the promotion of institutional change among insurers and employers appears to have been treated as a secondary "objective" by many OPER staff members during the design phase and early years of program implementation. Few concerted efforts were made at that point to take action to promote such change. With the growing conviction that the implemented approach to bonding was working, there was little incentive to mount new initiatives such as a major effort to bring about institutional change; as a result, the initial assignment of a low priority to this objective appears to have become solidified and has continued to this day.

The impact on the bonding program of the perception that "everything is running smoothly" can be best illustrated by reviewing the planning for the proposed manpower revenue sharing programs of the early 1970's, and subsequent efforts to implement CETA. Neither of these activities appears to have affected the structure and functioning of the bonding program. Departmental consideration of the role of bonding under decentralized manpower systems appears to have been limited to a judgment that there was no need to initiate any changes at this point in time. CETA was seen as placing a

variety of major responsibilities on newly designated Prime Sponsors all at once. Departmental planners have viewed bonding as only a modest element in the overall manpower service picture, a smoothly functioning low-cost procedure which is already in place. Therefore, although modification of the bonding program to increase the role of Prime Sponsors has not been ruled out, such modifications appear to have been accorded a low priority, and no such action has been taken.

In conclusion, many of the same factors which have been so important in influencing the evolution of the bonding program in the past still appear to be operating in 1975. The bonding program still represents a major Departmental effort to provide placement services to ex-offenders; it possesses an inherent logic which suggests that the program can be justified almost by definition; and there is more than eight years of corroborating experience data which indicates that the program appears to be working. Furthermore, the program appears to be providing these benefits without excessive costs, staffing requirements, or any major operating problems.

Given this situation, the program appears likely to continue without extensive modifications in program design unless significant persuasive evidence is developed which suggests that further improvements are possible. To a certain extent, the judgment that it would be impractical to engage in comprehensive data analysis, and that the insurance industry would be unresponsive to Departmental initiatives, has lessened the likelihood that these inputs would occur. But the possibility that this evidence may be collected and presented at some point in time remains open.

APPENDIX A

Historical Documents

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1.0 EXCERPTS FROM THE MANPOWER DEVELOPMENT AND TRAINING ACT OF 1962 AS AMENDED

1.1 SECTIONS 101, 102

AN ACT

MANPOWER DEVELOPMENT AND TRAINING ACT OF 1962, AS AMENDED[1]

Relating to manpower requirements, resources, development, and utilization, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Manpower Development and Training Act of 1962."

TITLE I—MANPOWER REQUIREMENTS, DEVELOPMENT, AND UTILIZATION

Statement of Findings and Purpose

SEC. 101. The Congress finds that there is critical need for more and better trained personnel in many vital occupational categories, including professional, scientific, technical, and apprenticeable categories; that even in periods of high unemployment, many employment opportunities remain unfilled because of the shortages of qualified personnel; and that it is in the national interest that current and prospective manpower shortages be identified and that persons who can be qualified for these positions through education and training be sought out and trained as quickly as is reasonably possible, in order that the Nation may meet the staffing requirements of the struggle for freedom. The Congress further finds that the skills of many persons have been rendered obsolete by dislocations in the economy arising from automation or other technological developments, foreign com-

[1] P.L. 87-415, Mar. 15, 1962, 76 Stat. 23, as amended by (a) P.L. 87-729, Oct. 1, 1962, 76 Stat. 679, (b) P.L. 88-214, Dec. 19, 1963, 77 Stat. 422, (c) P.L. 89-15, Apr. 26, 1965, 79 Stat. 75, (d) P.L. 89-792, Nov. 7, 1966, 80 Stat. 1434, (e) P.L. 89-794, Nov. 8, 1966, 80 Stat. 1451, and (f) P.L. 90-636, Oct. 24, 1968, 82 Stat. 1352; 42 U.S.C. 2571-2628.

petition, relocation of industry, shifts in market demands, and other changes in the structure of the economy; that Government leadership is necessary to insure that the benefits of automation do not become burdens of widespread unemployment; that the problem of assuring sufficient employment opportunities will be compounded by the extraordinarily rapid growth of the labor force in the next decade, particularly by the entrance of young people into the labor force, that improved planning and expanded efforts will be required to assure that men, women, and young people will be trained and available to meet shifting employment needs; that many persons now unemployed or underemployed, in order to become qualified for reemployment or full employment must be assisted in providing themselves with skills which are or will be in demand in the labor market; that the skills of many persons now employed are inadequate to enable them to make their maximum contribution to the Nation's economy; and that it is in the national interest that the opportunity to acquire new skills be afforded to these people with the least delay in order to alleviate the hardships of unemployment, reduce the costs of unemployment compensation and public assistance, and to increase the Nation's productivity and its capacity to meet the requirements of the space age. The Congress further finds that many professional employees who have become unemployed because of the specialized nature of their previous employment are in need of brief refresher or reorientation educational courses in order to become qualified for other employment in their professions, where such training would further the purposes of this Act. It is therefore the purpose of this Act to require the Federal Government to appraise the manpower requirements and resources of the Nation, and to develop and apply the information and methods needed to deal with the problems of unemployment resulting from automation and technological changes and other types of persistent unemployment.

Evaluation, Information, and Research

SEC. 102. To assist the Nation in accomplishing the objectives of technological progress while avoiding or minimizing individual hardship and widespread unemployment, the Secretary of Labor shall

(1) evaluate the impact of, and benefits and problems created by automation, technological progress, and other changes in the structure of production and demand on the use of the Nation's human resources; establish techniques and

methods for detecting in advance the potential impact of such developments; develop solutions to these problems, and publish findings pertaining thereto;

(2) establish a program of factual studies of practices of employers and unions which tend to impede the mobility of workers or which facilitate mobility, including but not limited to early retirement and vesting provisions and practices under private compensation plans; the extension of health, welfare, and insurance benefits to laid-off workers; the operation of severance pay plans; and the use of extended leave plans for education and training purposes. A report of these studies shall be included as part of the Secretary's report required under section 107;

(3) appraise the adequacy of the Nation's manpower development efforts to meet foreseeable manpower needs and recommend needed adjustment, including methods for promoting the most effective occupational utilization of and providing useful work experience and training opportunities for untrained and inexperienced youth;

(4) promote, encourage, or directly engage in programs of information and communication concerning manpower requirements, development, and utilization, including prevention and amelioration of undesirable manpower effects from automation and other technological developments and improvement of the mobility of workers;

(5) arrange, through grants or contracts, for the conduct of such research and investigations as give promise of furthering the objectives of this Act; and

(6) establish a program of experimental, developmental, demonstration, and pilot projects, through grants to or contracts with public or private nonprofit organizations, or through contracts with other private organizations for the purpose of improving techniques and demonstrating the effectiveness of specialized methods in meeting the manpower, employment, and training problems of worker groups such as the long-term unemployed, disadvantaged youth, displaced older workers, the handicapped, members of minority groups, and other similar groups. In carrying out this subsection the Secretary of Labor shall, where appropriate, consult with the Secretaries of Health, Education, and Welfare, and Commerce, and the Director of the Office of Economic Opportunity. Where programs under this paragraph require institutional training, appropriate arrangements for such training shall be agreed to by the Secretary of Labor and the Secretary of Health, Education, and Welfare. He shall also seek the advice of consultants

with respect to the standards governing the adequacy and design of proposals, the ability of applicants, and the priority of projects in meeting the objectives of this Act.

1.2 SECTION 105

Trainee Placement Assistance Demonstration Projects

SEC. 105. During the period ending June 30, 1970, the Secretary of Labor shall develop and carry out experimental and demonstration projects to assist in the placement of persons seeking employment through a public employment office who have successfully completed or participated in a federally assisted or financed training, counseling, work training, or work experience program and who, after appropriate counseling, have been found by the Secretary to be qualified and suitable for the employment in question, but to whom employment is or may be denied for reasons other than ability to perform, including difficulty in securing bonds for indemnifying their employers against loss from the infidelity, dishonesty, or default of such persons. In carrying out these projects the Secretary may make payments to or contracts with employers or institutions authorized to indemnify employers against such losses. Of the funds appropriated for a fiscal year to carry out this Act, not more than $300,000 may be used for purposes of this section.

2.0 DEPARTMENT OF LABOR DOCUMENTS

2.2 MANPOWER ADMINISTRATIVE ORDER 2-66

PAGES A-1 - A-17 OF THIS DOCUMENT WERE REMOVED PRIOR TO ITS BEING SUBMITTED TO THE ERIC DOCUMENT REPRODUCTION SERVICE BECAUSE THEY WOULD NOT REPRODUCE IN MICROFICHE.

2.1 Pilot Bonding Assistance Program To BE Conducted Under Section 105 of the MDTA, As Amended

2.2 MANPOWER ADMINISTRATIVE ORDER 2-66

U.S. DEPARTMENT OF LABOR
OFFICE OF THE MANPOWER ADMINISTRATOR
WASHINGTON, D.C. 20210

February 21, 1966

MANPOWER ADMINISTRATION ORDER NO. 2-66

Subject: Trainee Placement Assistance Demonstration Projects to be Conducted under the Manpower Development and Training Act of 1962, as Amended by the Manpower Act of 1965 (P.L. 89-15)

1. Purpose. To establish policies and assign responsibilities for implementing the Manpower Development and Training Act of 1962, as amended by Section 105f of the Manpower Act of 1965 (P.L. 89-15).

2. Authority and Directives Affected. The Manpower Development and Training Act of 1962, as amended by Section 105f of the Manpower Act of 1965 (P.L. 89-15). Secretary's Orders No. 4-63 and No. 38-65 and Manpower Administration Order No. 30-65 are further implemented by this Order.

3. Background. Section 105 of the MDTA, as amended, provides for a pilot program of placement assistance to individuals who have participated in Federally financed training, counseling, work-training, or work-experience programs and who cannot secure suitable employment for reasons not related to their ability to perform. The pilot program is intended particularly to assist in placing persons who have difficulty in securing bonds required for indemnifying their employers against loss from the infidelity, dishonesty or default of such persons. In view of the essentially experimental nature of this undertaking, there is need for centralized planning and control to assure that the variety of experience needed will be obtained and that data will be systematically collected to facilitate staff analysis permitting valid generalization of conclusions.

4. Approved Policies

a. Means of Bonding Coverage

(1) The Manpower Administration shall enter into a contract or contracts with a commercial bonding underwriter which operates nationwide to provide uniform coverage to all individuals who are to receive placement assistance under the program.

(2) The master bond contract shall cover individuals selected for placement assistance without the use of individual applications for each bondee or the screening of individuals or employers by the bonding company.

(3) Arrangements shall be made permitting local bonding contract arrangements in some special manpower projects, as warranted and feasible.

b. Terms of Bonding

(1) Bonds shall be provided for a period of one year and shall be in the amount of $2,500 except that arrangements shall be made for other amounts of coverage as required in special instances.

(2) Full use shall be made of the bond coverage available in a manner calculated to insure that coverage provided and paid for under this program is efficiently utilized.

c. Program Design

(1) The total body of bonding projects shall be systematically designed to provide experience with respect to all pertinent factors and conditions to serve as a basis for developing recommendations for a more extensive bonding assistance program, if such is warranted.

(2) The allocation of bonding slots shall be structured to provide experience in serving the various groups of unemployed workers who might require bonding assistance, such as long-term unemployed, older workers, youth and low income rural workers.

(3) The pilot program design shall assure that bonding experience is gained in different geographic areas, in as wide a variety as possible of occupations and industries suitable to the clientele toward which the program is directed, and insofar as possible, shall utilize a variety of counseling methods and techniques to assist workers in adjustment to the new employment situations.

(4) Some projects shall be designed to determine the possibilities and the efficacy of local bonding contract arrangements.

(5) For comparative study, experience shall also be gained without the use of bonding assistance to facilitate the placement of individuals in all the eligible program areas, i.e., MDTA trainees (both institutional and on-the-job), individuals who have received motivational and orientation services in special manpower projects, Neighborhood Youth Corps graduates, and regular counseling clients in public employment offices who meet the selection criteria to be established.

(6) As feasible, arrangements shall be made with the Department of Health, Education, and Welfare to provide bonding assistance for adults emerging from work experience programs under Title V of the Economic Opportunity Act.

d. Eligibility for Bonding Assistance

Bonding assistance shall be provided only to individuals seeking employment through a public employment office who:

(1) Have participated in a Federally financed training, work-training, work-experience, or counseling activity;

(2) Are qualified and suitable for the employment in question; and,

(3) Are not commercially bondable under ordinary circumstances and require bonding in order to obtain suitable employment.

5. Responsibilities

a. The Office of Manpower Policy, Evaluation and Research (OMPER) shall be responsible for:

(1) Maintaining all official contacts and relationships with the bonding contractor/underwriter including administration of the pilot bonding program.

(2) Designing the overall pilot bonding program.

(3) Developing and issuing, in consultation with appropriate Bureaus and offices, instructions for participating in this program and insuring that operating organizations issue instructions, as appropriate.

(4) Allocating to the various operating and research agencies the appropriate numbers of bondee slots in a manner calculated to obtain the needed varieties of experience. Such agencies, including State employment security agencies, shall submit through regular administrative channels requests for allocation of bondee slots.

(5) Compiling, organizing and analyzing program data obtained from the bonding contractor, operating agencies and employers and preparing reports which provide the basis for recommendations regarding future bonding assistance programs.

b. Experimental and demonstration project contractors, OJT promotion and development contractors, or other agencies may request allocation of bondee slots directly from OMPER.

c. As the agencies to whom bondee slots are allocated develop placement opportunities for individuals who require bonding assistance, they shall notify OMPER who shall request the bonding contractor to issue a certificate of bond coverage to the operating organization which shall in turn provide the certificate to the employer of the person being assisted.

d. The operating organization and the employer shall be required to collect and provide to OMPER such data on the characteristics and performance of the bondees and on other aspects of the program as will henceforth be determined to be needed.

e. In the event of loss, the employer shall notify the operating organization which shall in turn notify OMPER and the public employment service concerned.

f. The bonding contractor shall investigate claims of loss and adjust such losses in accordance with the terms of the contract.

g. The operating organization shall keep OMPER fully informed on terminations of bond coverage, violations of terms of the bonding contract, actions taken and the disposition of all such cases.

6. Effective Date. This Order is effective immediately.

Manpower Administrator

2.3 EXCERPTS FROM CONTRACT L/A 66-44

S C H E D U L E

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SCHEDULE

1. INTRODUCTION

A. The Manpower Development and Training Act of 1962, as amended by the Manpower Act of 1965 (42 USC 2571 - 2620), in Section 105, provides for a pilot program of placement assistance to individuals, hereinafter referred to as "Bondees", seeking employment through public employment service offices who have successfully completed or participated in a Federally assisted or financed training, counseling, work-training, or work experience program and who, after appropriate counseling, have been found by the Secretary of Labor to be qualified and suitable for the employment in question, but have been or may be denied suitable employment for reasons other than ability to perform. This program is intended particularly to assist duly authorized representatives of Federal, State and private agencies and organizations, hereinafter referred to as "Sponsors", in placing such Bondees who have difficulty in securing fidelity bonds required for employment in jobs consistent with their ability to perform. This difficulty is usually due to the past record of such trainee or Bondee including, but not limited to, police, credit, juvenile, and school records.

B. In the course of their routine contacts and consultations with local employers, representatives of Federal and State agencies concerned with job development activities frequently encounter a willingness on the part of employers to employ such Bondees despite the disclosure of the Bondee's past record. This willingness is subject to the Bondee's being qualified for the work in question and his acceptance to a surety company for fidelity bond purposes.

C. The purpose of this solicitation is to secure offers from suppliers who are willing to supply fidelity bonds on an on-call basis in variable amounts (multiples of $500), as required, in particular situations, to cover Bondees.

D. In some instances, the requirement for bond will be an established element in a particular employment situation where, except for the unusual circumstances, the Bondee would be routinely covered under the employer's existing bond coverage. In other instances, bonds will be required in situations in which the particular position has not heretofore been covered by bond, but is now to be covered for the protection of the employer's interests.

2. ELIGIBILITY TO BID

A. Size -- While this procurement has not been set aside for small business concerns, for purposes of your answer to the first certification on page 2 of Standard Form 33 (See reverse side of cover sheet),

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any concern bidding on this contract is classified as small if its average annual sales or receipts for the preceding three Fiscal Years do not exceed $1,000,000 ($1,250,000, if the concern is located in Alaska).

B. Scope of Operations -- In addition to the usual prerequisites of financial and technical responsibility, in order to be eligible for award, a Contractor must be licensed to operate or otherwise competent to operate in the 50 States and the District of Columbia.

3. AUTOMATIC COVERAGE

Bond coverage hereunder shall be automatic and the Contractor may not veto or otherwise fail or refuse to accept a Bondee certified by a Sponsor (see below) for bonding coverage hereunder, notwithstanding the Bondee's past record.

4. BONDING UNIT

A "Bonding Unit" is defined, for purposes of the IFB, as $500 of bond coverage, per Bondee, for a period of one calendar month.

5. NOTICE TO CONTRACTOR

The Director, Office of Manpower Policy, Evaluation and Research, hereinafter referred to as "Director", or his designated representative will provide the Contractor with a list of Sponsors authorized to request bond coverage by the Contractor. The list shall state the maximum total number of bonding units allocated to each such Sponsor for the duration of this contract. At the discretion of the Director, the list may be modified or amended from time to time by addition or deletion of names of Sponsors and the number of bonding units allocated to each Sponsor, upon written notice to be received by the Contractor not less than fifteen (15) days prior to the effective date of such modifications or amendments. The Sponsor allocation lists will be mailed to the Contractor's office at:*

_____

_____

_____

_____

addressed to the attention of:*

_____

*Contractor to make appropriate entries as indicated.

Contractor's Signature:

6. SPONSOR'S CERTIFICATION TO CONTRACTOR

When a Sponsor certifies a Bondee for the bond coverage being procured by the Government hereunder, such certification shall be in writing, addressed to the attention of the individual named by the Contractor and at the address indicated above. Such certification shall contain: the date of initiation or the date of termination of the bond period, as applicable; the name and occupation of the Bondee; the name and address of the employer to whom the bond is being furnished; the nature of the employer's business; and, the number of bonding units of coverage required. Such certification shall be given within fifteen (15) calendar days of the initiation or termination of the bond period.

7. CONTRACTOR'S CONFIRMATION TO EMPLOYER AND TO SPONSOR

Within fifteen (15) days of receipt by the Contractor of the Sponsor's certification of a Bondee, the Contractor shall confirm such certification by mailing to the employer named on the certification, at the address indicated thereon, a bond, appropriately completed, covering the certified Bondee, together with a copy of such bond to the Sponsor. Whenever, by operation of the terms of the bond or otherwise, the Contractor is informed by the employer that bonding coverage for a Bondee is terminated, the Contractor shall confirm such information to the Sponsor, in writing, within fifteen (15) calendar days of his receipt of such information.

8. COMPUTATION OF BONDING UNITS CONSUMED

For purposes of computing the number of bonding units consumed by each certification, each calendar month or fraction thereof shall count as a full month. In the case of a Bondee who changes jobs during a month (both of which jobs are bonded hereunder), the bonding units exhausted for that month, shall equal the total cumulative number required for both jobs. For all other purposes, the bond period shall begin and end on the dates indicated on the Sponsor's certification.

9. TERMS OF BOND

The bond required to be furnished under the terms of this IFB shall be identical in form, including clauses, provisions, agreements, conditions, etc., with the sample bond attached to this Schedule as "Exhibit A".

10. PRICE OF BONDING UNITS

The parties hereto agree that, in consideration of performing all of the requirements hereunder, the Government shall pay to the Contractor $ 5.00 per bonding unit.

Contractor's Signature: s/ T. S. Clark
Attorney-in-fact

11. FAILURE TO AGREE ON NUMBER OF BONDING UNITS CONSUMED

If the Contractor disagrees with the number of bonding units consumed for a particular Bondee certified for bonding coverage hereunder, the Contractor shall note his exception in writing when he presents his Status Reports hereunder (see below) to the Director, who shall, with the aid of the Contracting Officer, attempt to negotiate the settlement of any disagreement or dispute with the Contractor. Failure to resolve any such disagreement shall subject the disagreement to the "Disputes" clause hereunder.

12. LOSS OF ELIGIBILITY BY BONDEE

Any Bondee hereunder whose coverage is terminated because of any fraudulent or dishonest act shall not be eligible for further bond coverage hereunder.

13. NO MULTIPLE COVERAGE OF A BONDEE

No Bondee shall be covered hereunder for more than one job at any given time, i.e., a Bondee may not be bonded concurrently for more than one job.

14. MAXIMUM COVERAGE PER BONDEE

The maximum amount of coverage per Bondee shall not exceed ten (10) bonding units per month except as set out in Paragraph 8, hereof, entitled "COMPUTATION OF BONDING UNITS CONSUMED", in the case of a Bondee who changes jobs during a month.

15. MINIMUM AND MAXIMUM PURCHASE OF BONDING UNITS

Notwithstanding the existence of any contract resulting herefrom, the Government reserves the right to effect bonding coverage, including the actual furnishing of the bond itself, where it deems such action to be in its own best interest, except that if the Government fails to purchase at least a total cumulative amount of one hundred thousand (100,000) bonding units hereunder, then within sixty (60) days after the expiration of any contract resulting herefrom, the Contractor may submit a proposal for the renegotiation of the price of the bonding units herein and the Government agrees to renegotiate said price subject to the clause herein entitled "Disputes". In no event shall the Contractor be obligated to furnish in excess of three hundred thousand (300,000) bonding units hereunder.

16. PERIOD OF CONTRACT

Any contract arising from this IFB shall be effective as of the date of award and shall extend to June 30, 1967.

17. ALTERNATE BIDS

Any bid submitted offering bonds other than those specified or under terms and conditions other than those specified, will not be considered for award.

18. ALL OR NOTHING

Bids may not be submitted for quantities less than those specified and the Government waives the right to make an award on any quantity less than the minimum amount bid upon at the unit prices offered, except as provided above under the provision entitled, "Minimum Purchase".

19. GOVERNMENT FURNISHED PROPERTY

The Government is not providing or otherwise furnishing any materials, property, or facilities. Any bid predicated on the availability of Government-furnished materials, property, or facilities will be considered non-responsive and will not be considered for award.

20. GUARANTEE OR MINIMUM EARNED PREMIUM

The Government guarantees the Contractor a minimum earned premium per Bondee certification equivalent to two times the monthly rate of consumption of bonding units that each Bondee would have consumed if his employment were of a longer duration. The minimum earned premium shall be in lieu of, but not in addition to, the manner of computing the rate of consumption of bonding units set out elsewhere hereunder. In addition, all premium for coverage (calculated on the basis of bonding units previously allocated by a Sponsor for a particular Bondee) of any Bondee on whom notice of loss has been given shall be deemed to be fully earned.

21. PAYMENTS AND ACCOUNTING

Within thirty (30) days from date of award, the Government shall order its initial inventory of bonding coverage in the form of bonding units. This initial order shall be for a minimum of one hundred thousand (100,000) bonding units and payment therefore shall be made concurrent with the placement of the order. Such order shall be accompanied by the initial list of Sponsors and their respective allocations in accordance with Paragraph 5 hereof, entitled "NOTICE TO CONTRACTOR".

By the twentieth day of each calendar month, beginning the second full calendar month after purchase of the initial inventory of bonding units, the Contractor shall furnish the Director a Status Report containing a breakdown of the bonding units consumed during the previous month (and additional fraction of a month as will be the case in the initial Status Report) by Sponsor. The Status Report shall also contain the Contractor's computation of each Sponsor's balance of unconsumed bonding units together with the names of that Sponsor's Bondees and the number of bonding units each such Bondee has consumed during the month being reported.

Subsequent re-orders of bonding units by the Government, as the available supply allocated to Sponsors is diminished, shall be in lots of not less than twenty five thousand (25,000) bonding units. Payment for each re-order shall be made concurrent with the placement of the re-order.

By July 20, 1967, the Contractor shall furnish his final Status Report and reimburse the Government for all bonding units paid for but not consumed by Sponsors as of June 30, 1967. The Contractor is required to maintain such internal records as would support his position in the event that his computation of bonding units consumed does not agree with the records maintained by the Government.

22. REPORTS

As explained in the INTRODUCTION, this program has been undertaken by the Government as an experiment to meet an identified and unique need among the Nation's unemployed and underemployed workers. In order fully to discharge his responsibility to analyze, evaluate and report on program experience, the Director will require semi-annually (in July and January) from the Contractor, in addition to the monthly Status Reports (See Paragraph 21), beginning with the first full half-year or fraction thereof, following the date of award hereunder, a written report of his experience under this contract. Such reports shall be submitted in triplicate to the Director within thirty (30) days of the last day of the half-year being reported. The report shall state the number of claims received under the bonds provided hereunder and the amount claimed in each case together with an indication of the disposition of each claim, e.g., "settled", "pending", etc. The report will identify the employee, the employer, and the date the loss is first reported. After the first report, each subsequent report shall bring information up to date in those cases where the status (i.e., "settled", "pending", etc.) of such claims has changed since the last reporting thereof.

23. GENERAL PROVISIONS

The General Provisions attached hereto are incorporated herein by reference and, as such, form a part hereof.

EXHIBIT A to IFB D/L 66-17

INDIVIDUAL OR SCHEDULE FIDELITY BOND

Bond No. _____

_____

(NAME AND ADDRESS OF COMPANY)

DECLARATIONS

1. Insured's Name and Mailing Address:

(A _____ Company herein called Underwriter.)

and the United States of America.

2. Effective Date:-

3. Schedule (a) Listed by ☐ Name ☐ Position

Item Number	Name or Position	Location	Amount	Premium

4. The liability of the Underwriter is subject to the terms of the following riders attached hereto:

Signed, sealed and dated

_____

(Name of Company)

BY:

Attorney-In-Fact

(a) SCHEDULE (Continued if two or more items are listed)

Item Number	Name ~~or Position~~ of Bonds	Location	Amount	Premium

This forms will be re-worked by Bonding Co.

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2.4 USES MEMORANDUM DATED APRIL 27, 1966

UNITED STATES GOVERNMENT

Memorandum

TO : Thomas R. Greening **DATE:** April 27, 1966

FROM : Wayne Wetzel
Lois Middleton

SUBJECT: Meeting -- Bonding Demonstration Project

Informal meeting covering the proposed "Bonding Demonstration Project," attended by Seymour Brandwein and Frank Purcell, OMPER, and John Clark, Thadeus Clark, and Victor Galan, United Bonding Company (Branch of the McLaughlin Company, Indianapolis, Indiana) and Wayne Wetzel and Lois Middleton, BES, Branch of Placement Services took place on April 26, 1966.

After general discussion to outline the responsibilities of the participants in this program these agreements were reached: the bonding company representatives will redesign the certification form, and provide these forms in sufficient numbers for use during the project, report monthly to OMPER on bonding units utilized/available, make several word changes in the bonding contract to clarify under what conditions a bond is terminated and a new issuance necessary, and provide services and coverage as required in the initial contract with OMPER.

BES major responsibility under the program will be the selection of applicants, determination of their eligibility, job development, placement and follow-up including those reports deemed necessary to provide pertinent data to OMPER, on all applicants accepted in the project through the Employment Service.

Interviewers/counselers will coordinate with area representatives (referred to as sponsor and designated by name) in initiating requests for bond for specific applicant; sponsor then notifies bonding company -- bonding company sends the sponsor a copy of certification forms. Certification forms are to be retained with all other applicant information in the local Employment Service office. The Branch of Placement Services in conjunction with OMPER will prepare a form for use by designated local offices during this project to record information required by OMPER. Any claim made against the insurer should be the responsibility of the employer but in the event that this is not done the sponsor will notify the insurer. Sponsor will notify insurer of termination of bond. BES will prepare guidelines for area ES representatives to implement their responsibilities, and guidelines for area ES representatives to relay to local office personnel concerning their duties.

It was decided that a second meeting should be arranged in approximately four weeks which would include USES regional representatives and area representatives from the localities designated for this pilot project. Mr. Brandwein, OMPER, suggested USES might explore the possibility of obtaining travel and administrative costs from regular MDTA funds.

Buy U.S. Savings Bonds Regularly on the Payroll Savings Plan

2.5 TRAINING AND EMPLOYMENT SERVICE PROGRAM LETTER 2641 WITH ATTACHMENTS

In reply refer
to METTP

U.S. DEPARTMENT OF LABOR
Manpower Administration
Washington, D.C. 20210

January 25, 1971

TRAINING AND EMPLOYMENT SERVICE PROGRAM LETTER NO. 2624

TO: ALL STATE EMPLOYMENT SECURITY AGENCIES

SUBJECT: Federal Bonding Program -- Nationwide Expansion of MDTA Trainee Placement Assistance Demonstration Projects

PURPOSE: To announce expansion of the Federal Bonding Program on a nationwide basis, thereby making it available as a regular part of the placement process in all local State employment service offices, and to transmit guidelines for program operation.

In 1965, Congress enacted a series of amendments to the Manpower Development and Training Act of 1962. The Secretary of Labor was directed to develop and carry out experimental and demonstration projects to assist in the placement of individuals who could not obtain suitable employment because of their inability to qualify for fidelity bonding coverage.

Following this, the Manpower Administration developed a number of Trainee Placement Assistance Demonstration Projects, which later collectively became known as the "Bonding Program". These projects were initiated on the basis of information that a significant number of persons who had participated in federally financed training, counseling, work-training, or work-experience programs could not secure suitable employment because they had police, credit, or other records which prevented their being covered by customary bonds required for indemnifying their prospective employers against loss from infidelity, dishonesty, or default. Inability to obtain suitable employment, in part because of inability to meet requirements for fidelity bonding coverage, is often a contributing factor to a return to crime and prison for some ex-offenders.

Since March 1966, the Manpower Administration has been conducting a limited pilot program of bonding assistance through selected State employment service offices across the country. This pilot program has two primary purposes: (a) to determine the usefulness of providing fidelity bonding coverage to ex-offenders and selected others; and (b) to stimulate employers and commercial bonding firms to re-examine bonding practices in an effort to reduce barriers where employment is or may be denied for reasons other than ability to perform.

Bonding demonstration projects were initially piloted in four cities--Los Angeles, New York, Chicago, and Washington, D.C. Coverage was made

available through placement interviewers and counselors in the local State employment service offices in these cities and in four special manpower projects for those persons otherwise qualified for the employment in question. Since its beginning in 1966, the Bonding Program has gradually expanded, so that 51 cities in 29 states and six statewide programs are now providing fidelity bonding coverage to eligible applicants. Fidelity bonding coverage is also available to all of the prisoner training projects under the MDTA.

Eligibility for coverage is determined by applying a simple rule: Is the fidelity bond necessary to remove the barrier between the man and the job? Under this program, a "name schedule bond" (see attachment 4 for definitions of various forms of fidelity bonds) up to $10,000 may be provided to individuals (a) where bonding is (or might be) a condition of employment; and (b) who have been (or might be) refused bonding coverage by regular commercial sources.

There have been over 2300 individuals bonded, and there is no other MA program effort which duplicates this service. Those persons so assisted were previously denied suitable employment, and most of the participants were former prison inmates. Evaluation of the projects indicates that placement potential is greatly increased for individuals who formerly could not obtain suitable employment because of an inability to obtain fidelity bonding coverage. Very significant is the experience that the availability of bonds, even when not utilized, greatly enhances applicant acceptance by employers.

The United Bonding Insurance Company of Indiana has agreed to continue furnishing coverage in the form of "units", each one representing $500 coverage for one month, with maximum coverage remaining at $10,000, per individual for one year, i.e., a $10,000 bond indicates that 20 units are being consumed monthly.

This TESPL, and the attached guidelines, are intended to establish immediately the Federal Bonding Program on a nationwide basis; therefore all local State employment service offices may proceed to supply coverage to eligible persons. States which have had the program in its E&D phase will recognize that few changes have been made in these guidelines for the expansion.

Representatives of State agencies who are responsible for promotion of ES programs to employers should be especially knowledgable about the availability of bonding assistance. The success of the Bonding Program will depend largely on such a promotional effort.

PAUL J. FASSER, JR.
Deputy Assistant Secretary
for Manpower and
Manpower Administrator

4 Attachments:
1. Guidelines for Operation of the Federal Bonding Program
2. Sponsor's Certification
3. History of Applicant under MDTA Bonding Program
4. Definitions of various forms of Fidelity Bonds

Attachment 1

Guidelines for Operation of the Federal Bonding Program

I. Sponsors

The various State employment service agencies are designated as the "Sponsors" and are directly responsible for the Bonding Program.

State Administrators should designate staff members to serve as the State ES Bonding Coordinator and alternate. Bonding Coordinators are responsible for the following:

1. Providing the regional office with his name, address and phone number and that of his alternate with whom United Bonding should work directly. The regional office should be notified promptly of any subsequent changes in the assignments.

2. Training State and local ES staff in the operation of the Federal Bonding Program and assisting State training offices in conducting such training.

3. Arranging with organizations in their States or areas conducting federally financed training or work-experience programs to use some of the available bonding units for participants in these programs most notably MDTA trainees and NYC graduates when necessary for placement.

4. Reviewing Sponsor's Certification or Request for Termination forms completed by local office staff and certifying bondees for bond coverage or termination of bond coverage by signing and forwarding the forms to United Bonding. (see section VI).

5. Maintaining certain records and submitting certain reports to the Manpower Administration (see section V).

6. Insuring that local office staff maintain liaison with employers of bondees and bondees themselves when necessary, to determine whether those bondees have changed jobs or are still employed, and if not, the reasons for the termination or change.

7. Insuring that local office staff check regularly (at least every 6 months) with employers to determine if bonding requirements still apply, and to encourage employers to drop requirements, bond through their own companies, or bond through another company.

Note: This is of utmost importance since the United Bonding Insurance Company has agreed to accept for standard coverage at comparable commercial premium rates all bondees who have been covered for a minimum of 18 consecutive months in the Federal Bonding Program, where the employee is still unable to obtain commercial bonding.

II. Local Office Activities

Local office staff are responsible for:

1. Identifying individuals needing fidelity bonding coverage.
2. Determining individual's eligibility.
3. Identifying suitable job opportunities.
4. Determining eligibility of the job.
5. Referring the applicant and verifying employment.
6. Preparing Sponsor's Certification forms and forwarding copies as follows: (a) one to the State Bonding Coordinator for certification, (b) one to the United Bonding Insurance Company, 2000 L. Street, N.W., Suite 514, Washington, D.C. 20036, and (c) one for local office files for follow up purposes. Note: Local office managers or designated staff may be given authority to sign the Sponsor's Certification form, but a copy still should be sent to the State Bonding Coordinator.

7. Conducting periodic followup (at least every 6 months) to determine if the bondee has changed jobs or is still employed. A suspense file should be maintained for this purpose. If information is obtained before or at this time concerning the bondee's change of job or termination, the following action should be taken: When the bondee changes jobs with the same employer, United Bonding must be notified immediately if the amount of coverage changes. Section D of the Sponsors Certification should be prepared and forwarded through appropriate channels to United Bonding, which will certify the bondee for the new job. When the bondee is separated from the employer, the Sponsor's Request for Termination should be prepared and forwarded through appropriate channels to United Bonding. This is of utmost importance since bonding units may be lost, and the Department of Labor is charged for the units until the termination notice is received by United Bonding.

III. Bonding Amounts and Period of Coverage:

The Department of Labor contract with the United Bonding Insurance Company provides for bonding units (paid for by Federal funds). For purposes of this contract, a bonding unit has been defined as $500 of fidelity coverage for one bondee for one calendar month. Example: to bond one person for $2,500 for a period of 12 months will require 60 "bonding units" (5 units time 12 months equal 60 units). The bonds are issued in multiples of $500 and maximum coverage is limited to $10,000 or 20 units per month. Bonding certifiers are urged to use the lowest minimum amount the employer will accept. Although the bonds are open-end (without a specified termination date), the sponsors should obligate bonding units on the basis of one year, with option to continue only if absolutely necessary. At the end of a year's experience with the Federal Bonding Program, the employer will be asked to assimilate the bondee into his regular bonding arrangements, drop the requirements for bonding, or make whatever arrangement he can, provided this does not jeopardize the bondee's job. However, if the employer cannot make other arrangements or refuses to drop the requirements, the Sponsor may continue Federal Bonding Program coverage for the bondee past the year,

with continued regular checks at least every 6 months, to see when the requirement can or will be dropped. (see section 1, No. 7)

Coverage will be available anywhere in the U.S. and its Possessions and Territories. Coverage is effective immediately upon commencement of work by the bondee and signature of the designated representative of the State Administrator. The bonding company must receive the certification within 15 calendar days of the bondee's entry on duty.

IV. Standards

A. Eligibility Criteria for Individuals:

Bonding assistance may be provided to any individual filing an application with a public employment office. Potential bondees must be qualified and suitable for the employment in question and not be commercially bondable under ordinary circumstances. Any bondee whose coverage is terminated because of any fraudulent or dishonest act shall not be eligible for further bond coverage.

B. Eligibility Criteria for Jobs:

In most instances, bonding requirements already exist for a particular job, but the employer states that his bonding company will not cover persons with questionable records, and a bond is necessary for the job. In such circumstances, eligibility is clearly established. In other instances, a fidelity bond may be required by an employer where the job involved has not heretofore been covered by a bond, but the employer refuses to employ on that job an individual with a questionable record unless he is bonded. In these latter instances, the following criteria should generally be weighed in determining eligibility:

1. The job is one in which irresponsible or dishonest conduct can materially damage the employer, and

2. The position offers the worker full-time steady work, adequate working conditions and wages, and carries a reasonable expectation of permanent employment.

C. General

The eligibility standards are meant to cover nearly all situations where a person who is qualified for a job but is denied that job because of his inability to obtain fidelity bonding coverage. For example: an employer may wish to upgrade an "unbondable" employee from a job in which little or no money responsibility is vested (gas station attendant) to a position requiring him to handle money regularly (gas station manager). If either the employer or the employee seeks help through the employment service local office, the principal criterion is met (see section IV, A).

V. Records Control

1. United Bonding is required by the terms of their contract to furnish the Manpower Administrator or his designated representative a status report by the 20th of each month.

2. State Bonding Coordinators should maintain a current record of each person bonded, including information about the kind of situation which precluded his bonding through commercial sources; the frequency seriousness, and recency of the bondee's offenses; the past and present occupations involved; and other pertinent information. If the employment of a bondee is terminated, the record should indicate the reason for the termination. Contact should be made preferably by the certifying local office with the employer and the former bondee, if possible, to determine the reason for the termination. When a bondee is terminated for any reason, the insurance carrier should be notified immediately on the Sponsor's Request for Termination form.

   Coordinators are encouraged at any time to forward through appropriate channels their observation on progress and difficulties with the program, its concepts, and its procedures, and to make recommendations to the Regional Manpower Administrators. On occasion, such comments will be requested from all sponsors. The RMA will forward copies of State recommendations to the Manpower Administration.

VI. Forms Required

1. The Sponsor's Certification form will be supplied through the Manpower Administration by the United Bonding Insurance Company. The Sponsor's Request for Termination is printed on the reverse. (Attachment 2)

2. DL-MA-110, History of Applicant Under MDTA Bonding Program, shall be required from only those State agencies participating in the experimental demonstration, on each bondee until June 30, 1971, in order to complete statistical reporting requirements of the experimental phase of the Trainee Placement Assistance Demonstration Projects. These forms will be supplied to these States by the Manpower Administration until that date. After July 1, 1971, this form will no longer be required. (Attachment 3)

SPONSOR'S CERTIFICATION

(Please Type)

To: United Bonding Insurance Company
2000 L Street, Northwest
Suite 514
Washington, D. C. 20036

For Company Use Only	

A. SPONSOR

Name
Address
City State Zip

B. EMPLOYER

Name
Address
City State Zip

C. For NEW coverage, complete the following

Name of Bondee Last	First	Amount of Bond	Effective Date Mo.	Day	Year	Job Title	D.C.T. Code
		$					

D. For CHANGE, complete the following

Name of Bondee Last	First	Previous Bond Amt.	New Bond Amount	Effective Date of Ch. Mo.	Day	Year
		$	$			

Date Submitted_____ _____
Signature of Sponsor

INSTRUCTIONS

Complete this side of form in TRIPLICATE and mail original to United Bonding Insurance Company at above address. See reverse side for termination or cancellation of Bond.

SPONSOR'S REQUEST FOR TERMINATION

SPONSOR

Name		
Address		
City	State	Zip

EMPLOYER

Name		
Address		
City	State	Zip

E. The above Sponsor hereby notifies United Bonding Insurance Company of the cancellation specified below under BOND NUMBER _____ and warrants that the Employer has been so notified:

Name of Bondee		Effective Date of Termination		
Last	First	Mo.	Day	Year

Date Submitted_____ _____

Signature of Sponsor

INSTRUCTIONS

1. If this side of form is completed, it should be typed in TRIPLICATE and original and one copy mailed to United Bonding Insurance Company at address on reverse.

2. If a Bondee changes from one Employer to another, his coverage MUST be cancelled on this side and new coverage ordered.

United Bonding hereby acknowledges receipt of the above request for termination, and has effected same.

Date Acknowledged_____ By _____

PAGE A-41/A-42 OF THIS DOCUMENT WAS REMOVED PRIOR TO ITS BEING SUBMITTED TO THE ERIC DOCUMENT REPRODUCTION SERVICE BECAUSE IT WOULD NOT REPRODUCE IN MICROFICHE.

Attachment 3

DEFINITIONS OF VARIOUS FORMS OF FIDELITY BONDS

1. The Individual Bond is the simplest form of fidelity bond which bonds one employee to his employer and is used when there is only one employee to be bonded.

2. The Name Schedule Bond includes all of the employees to be bonded under one bond. A schedule is attached to the bond listing the name, position, location of each employee and the amount for which he is bonded. The insuring and other clauses of the bond are the same as in the individual bond. (This is the only coverage available under the Federal Bonding Program).

3. The Position Schedule Bond bonds anyone employed in a particular position, instead of naming the individual employee occupying each position to be bonded. Change notices are required only when new or additional positions are added, old positions are abolished, or when amounts of coverage are changed.

4. Blanket Fidelity Bonds insure the employer against loss due to dishonesty of any employee, regardless of who that employee may be. Every employee is bonded for the amount stated in the bond, which is the same for all employees. Coverage is automatic. Just as soon as a new employee is hired, he is bonded for the full amount stated in the bond. There are no premium adjustments during the policy term except in the event of merger or consolidation with another company.

2.6 PRESS RELEASE ON EXPANSION OF BONDING PROGRAM

OFFICE OF INFORMATION, WASHINGTON, D. C. 20210

USDL -- 71-041
Manpower Administration
TEL. (202) 961-4011

FOR RELEASE: A.M. Editions
Thursday, January 28, 1971

BONDING PROGRAM FOR EX-CONS EXTENDED TO COVER ALL WHO NEED IT

Ex-convicts, trained and bonded through Labor Department programs, have come through with a near perfect score for reliability.

"We are so impressed with the fact that only 30 have defaulted out of the more than 2,300 ex-offenders we bonded," says Manpower Administrator Paul J. Fasser, Jr., "that we are extending the program nationwide to cover anyone who needs bonding to get a job."

Fasser said that all of the more than 2,200 local public employment service offices will soon supply fidelity bonding coverage to all eligible persons.

"One simple rule will determine eligibility for coverage," Fasser said. "Is the bond necessary to remove the barrier between the man and the job?"

In the last four years, experimental bonding up to $10,000 was provided for more than 2,300 individuals -- mostly former prison inmates.

"With a potential risk of nearly $12 million, the claims paid amounted to just over $17,000," Fasser pointed out.

The bonds were issued at high premium rates by the United Bonding Company of Indiana under contract with the Manpower Administration. (The rates are higher because, ordinarily, bonds are issued only to cover persons with unblemished records.) Funds have been made available through experimental and demonstration provisions of the Manpower Development and Training Act amendments of 1965.

(More)

Initially the bonding company charged $42 a year per $1,000 of coverage. Claims were so negligible that after three years it lowered its rates by two-thirds to $16.80 per year per $1,000. The reduced rate compares favorably with some commercial rates.

The bonding program was started by the Manpower Administration in 1965 in Los Angeles, New York, Chicago, and Washington, D.C. It was gradually extended to 51 cities in 29 States and is statewide in California, New York, Ohio, Oregon, Illinois, and Missouri.

United Bonding also agreed last month to give standard coverage rates to any bondee who has been bonded for 18 months without a paid default, provided the employee is unable to get commercial bonding.

###

2.7 TRAINING AND EMPLOYMENT SERVICE PROGRAM

LETTER NO. 2624, CHANGE 1

In reply refer
to METTP

U. S. DEPARTMENT OF LABOR
Manpower Administration
Washington, D. C. 20210

March 30, 1971

TRAINING AND EMPLOYMENT SERVICE PROGRAM LETTER NO. 2624, Change 1

TO: ALL STATE EMPLOYMENT SECURITY AGENCIES

SUBJECT: Federal Bonding Program -- Nationwide Expansion of MDTA Trainee Placement Assistance Demonstration Projects

PURPOSE: To announce change of references from United Bonding Insurance Company to the McLaughlin Company, Agents for Indiana Bonding and Surety Company.

The Indiana Bonding and Surety Company has assumed all obligations of the United Bonding Insurance Company under Department of Labor Contract No. L/A 66-44. This action does not affect, change, or otherwise modify program operations contained in TESPL 2624, dated January 25, 1971. This notification of change of carrier is to avoid confusion and to insure that local office bonding activities are not delayed because of this development.

The McLaughlin Company, agents for the insurance carrier, has been working with the Department of Labor on the bonding programs since 1966. The Company has assured the Manpower Administration that this change will not affect the program and that it will continue to provide the required services.

The new printing of the Sponsor's Certification and Request for Termination forms includes the address as follows:

The McLaughlin Company
2000 L Street NW.
Suite 514
Washington, D.C. 20036

All future references and correspondence should be in keeping with this change.

Paul J. Fasser, Jr.

PAUL J. FASSER, JR.
Deputy Assistant Secretary
for Manpower and
Manpower Administrator

2 8 "THE FEDERAL BONDING PROGRAM"

PUBLICITY PAMPHLET

1
What is the Federal Bonding Program?

The Federal Bonding Program is a means by which the Manpower Administration of the Department of Labor offers fidelity bonding coverage to qualified job applicants who cannot otherwise obtain it. It is administered by the State employment service agencies, which have a limited amount of coverage that can be extended to individuals in particular instances. This bonding coverage is available to persons who cannot obtain suitable employment because they have police, credit, or other records which prevent their being covered by the usual commercial bonds. Prospective employers require these bonds to protect themselves against loss from infidelity, dishonesty, or default.

2
Why was the Federal Bonding Program initiated?

Many ex-offenders return to crime because their prison records prevent them from obtaining the bonding coverage that certain jobs require. Evaluation of the Department of Labor's experimental and demonstration bonding projects that have been initiated over the last 4 years shows that they have greatly increased job opportunities for individuals who formerly could not obtain suitable employment because they could not get usual commercial bonding coverage.

3
What are some further objectives of the Federal Bonding Program?

One objective of the Federal Bonding Program is to stimulate employers and commercial bonding firms to reexamine bonding practices and thus reduce or eliminate barriers to employment that have nothing to do with ability to perform. One way this is done is by demonstrating the successes of the DOL bonding program. An effort is being made to gain acceptance by commercial companies of persons who have been bonded under the DOL program after completion of successful DOL coverage.

4
Where does one go for fidelity bonding coverage?

Either the jobseeker or his prospective employer may seek fidelity bonding coverage at any local office of the State employment service. These offices are found everywhere in the United States and its possessions and territories, including Puerto Rico, the Virgin Islands, and Guam.

5
Who is eligible to participate in the Federal Bonding Program?

Bonding assistance may be provided to any individual making direct application through a public employment office. To be bonded under this program, an individual must:
a)
Be qualified and suitable for the employment in question.
b)
Not be commercially bondable under ordinary circumstances.

6
What jobs may be covered?

Many jobs require bonding. However, the employer may state that his bonding company will not cover persons with questionable records. In such circumstances, eligibility for coverage of a particular job under the DOL bonding program is clearly established. Other employers may insist on a bond even though the job involved has not heretofore been covered; that is, they would refuse to employ on that job an individual with a questionable record unless he is bonded. The DOL program will cover such cases if the jobs are those in which irresponsible or dishonest conduct can materially damage the employer and are those that would offer the worker full-time steady work, adequate working conditions and wages, and a reasonable expectation of permanency.

7
When is the coverage effective?

Coverage becomes effective immediately when both of these conditions have been met:
a)
The applicant has begun work.
b)
The manager of the local employment service office or other authorized personnel of the State agency has certified the bond.

8
What are the amount and duration of coverage?

The bonds are issued in units of $500. Maximum coverage is limited to 20 units ($10,000) per month. Although the bonds have no specified termination date, coverage is usually obligated for 1 year. At the end of that year, the employer will be asked to assimilate the bonded individual into his regular bonding arrangements, drop the requirement for bonding, or make whatever arrangement he can, provided this does not jeopardize the individual's job. However, if the employer cannot make other arrangements, coverage may continue past that year; the State employment service staff will check regularly, at least every 6 months, to see when the requirement can be dropped.

2.9 FIELD MEMORANDUM 107-72

In reply refer
to MEEP

U. S. DEPARTMENT OF LABOR
Manpower Administration
Washington, D. C. 20210

March 17, 1972

FIELD MEMORANDUM NO. 107-72

TO: ALL REGIONAL MANPOWER ADMINISTRATORS

SUBJECT: Federal Bonding Program

REFERENCE: TESPL 2624, Change 2

1. Purpose. To clarify the Manpower Administration's position regarding the provision in the Federal Bonding Program guidelines on conversion from Manpower Administration bonding to commercial coverage, and to announce the issuance of the Federal Bonding Program default list.

2. Background. As of December 1971, 3,610 persons have been bonded through this program with 934 still active. To date, there have been only 55 paid defaults in the program since its inception, totaling $45,630. One hundred and thirty-four claims were actually reported, but many of these were not applicable to the coverage; some are still pending. This record indicates the excellent job that local office placement staff are doing for the worker and employer using the Federal Bonding Program.

The following States and areas have had no bonding activity: New Hampshire, Rhode Island, Puerto Rico, Virgin Islands, Delaware, Arkansas, Oklahoma, South Dakota, Guam, and Alaska.

The McLaughlin Company is assisting the employment service in its efforts to continue job retention for bondees who have exhibited a sustained sense of responsibility under the sponsorship of the Federal Bonding Program. They have agreed to arrange for standard coverage at comparable premium rates for all bondees (without a paid default) who have been covered for a minimum of 18 consecutive months in the Federal Bonding Program where the employer is still unable to obtain commercial bonding.

3. Procedure. At the expiration of the DOL sponsored 18-month provision and it has been established that (1) the bonding requirement still exists, (2) the employer will not drop the requirement, (3) the employer's current supplier will not accept the bondee, and (4) the employer cannot obtain coverage for the bondee from another carrier, the employer should contact either Mr. John Clark or Mr. T. S. Clark of the McLaughlin Company at 2000 L Street, N.W., Suite 514, Washington, D.C. 20036, Telephone: 202-293-5566, to arrange for standard coverage with an insurance company authorized to do business in the applicable State. If the employer does not provide commerical coverage at the expiration of the 18-months of DOL sponsored bonding and as a result the bondee is terminated from his job, the worker must be assisted in every way to obtain suitable reemployment and bond coverage under the Federal Bonding Program if necessary.

4. Action Required

(a) Advise State agencies of the procedures in 3 above.
(b) Advise State agencies having bondees who participated in the program for 18 or more consecutive months to take immediate steps to convert the bondees to standard commercial coverage according to procedures outlined in 3 above.
(c) Furnish the National Office an explanation for the lack of bonding activity in the State agencies listed in 2 above.
(d) Under separate cover, copies of the default list for the Federal Bonding Program are being transmitted for report period ending June 30, 1971, to be forwarded to each State Bonding Coordinator. A master copy of this report should be retained as future default lists will only include those claims made within the specified report period and additional information regarding unreconciled cases. The State Bonding Coordinators will receive the updated default list and additional claim information twice yearly; each report will cover the preceding six months.

5. Inquiries. Inquiries on this program should be directed to Kathryn C. Brown or Lois Morley, telephone 202-961-5597.

6. Expiration Date. Continuing.

Pierce A. Quinlan

PIERCE A. QUINLAN
Acting Deputy Manpower Administrator

Separate Cover (RMA's only)
Federal Bonding Program Default List

2.10 EXCERPTS FROM CONTRACT L-72-155

SCHEDULE

I. BACKGROUND

A. For the purpose of improving placement techniques and demonstrating the effectiveness of specialized methods in meeting the employment problems of labor elements such as ex-offenders and others often regarded as high risk groups, the Secretary of Labor has established the Federal Bonding Program. This nationwide program, which has operated successfully as an Experimental and Demonstration Project since March 1966, is to facilitate the placement of individuals who cannot obtain suitable employment becuase of their inability to qualify for fidelity bond coverage due to police, credit, or other records. This program is intended particularly to assist duly authorized representatives of federal and state placement agencies in placing such persons who have difficulty in securing fidelity bonds required for employment in jobs that are otherwise within their capabilities.

B. In the course of their routine contacts and consultations with local employers, representatives of federal and state placement agencies concerned with job development activities frequently encounter a willingness on the part of employers to hire persons with a criminal or other adverse record, subject to the individual's being qualified for the work in question and his acceptance by a surety company for fidelity bond.

C. In some instances, the requirement for bond is an established element in a particular employment situation where, except for the circumstance of the person's record, he would be routinely covered under the employer's existing bond coverage. In other instances, bonds are required in situations in which the particular position has not heretofore been covered by bond, but is now to be covered for the protection of the employer's interests as a condition of employment.

D. This program was initially started with only the broadest idea of what to expect in the way of losses, and one of the important products of the experiment and development stage of the program has been the actual loss experience. This experience history covers the period March 1966, through December 1971.

SCHEDULE

Average Coverage	$ 5,000.00
Maximum Coverage	$ 10,000.00
Number of Bonds Issued	3610
Number of Claims Reported	136
Number of Claims Paid	56
Amount of Claims Paid	$ 45,630.00
Amount Reserved for Claims	$ 43,877.00
Losses Incurred	$ 89,507.00
Premium Earned	$459,023.60
Loss Ratio	19.50%

Through the experience gained in a purposely limited number of cities (four), the program was expanded gradually to include some whole states, then 25 more cities, then to some individual projects, and finally, in January 1971, at the end of four and one half years of experimental work, the program was established on a nationwide pilot basis. Because of early low loss experience, the premium rate was reduced by one-third after the first three years' operation. Data for the one-year period of nationwide expansion (January 1, 1971, to January 1, 1972) are as follows:

Premium Earned	$109,024.00
Losses Incurred (paid and reserved)	$ 49,297.00
Loss Ratio	45.22%

II. DEFINITIONS

Bondee - An individual who as a member of the labor force is duly nominated by the government or its agent and accepted by the contractor for bonding coverage under the terms of the contract.

SCHEDULE

Sponsor - Those agents of the government designated to nominate individual members of the labor force for bonding coverage under the terms of the contract.

Bonding Unit - $500. - of bonding coverage for one person for one calendar month or fraction thereof.

III. STATEMENT OF WORK

The contractor will provide fidelity bond coverage on an on-call, no selection basis for that portion of the labor force which for various reasons cannot qualify for standard commercial coverage. He shall also provide such special services as may from time to time be required for implementation of the program such as attendance at meetings, development and presentation of training sessions, and special analyses and reports.

IV. AUTOMATIC COVERAGE

Bonding coverage hereunder shall be automatic and the contractor may not veto or otherwise fail or refuse to accept a Bondee certified by an authorized sponsor for bonding coverage hereunder, notwithstanding the Bondee's past record, expect that the contractor may terminate coverage of any Bondee who has been the cause of a paid loss while previously bonded under this program subject to the provisions of paragraph X(D) below.

V. MAXIMUM COVERAGE

The maximum bonding coverage on any individual that may be required of the contractor is $10,000.00

VI. STANDARD COMMERCIAL COVERAGE

Contractor shall accept or otherwise arrange for standard commercial bonding coverage any bondee who will have been covered for a period of 18 consecutive months under this program without a default, paid or pending, if continued coverage remains a condition of employment.

VII. PERIOD OF PERFORMANCE

The period of this contract shall be from 1 July 1972 through 30 June 1975 for bonding coverage with an additional period for discovery and exercise of related rights and obligations of 15 months through 30 September 1976.

SCHEDULE

VIII. REPORTS

Contractor shall submit to the Contracting Officer's Technical Representative by not later than the 20th day of the month an automated Monthly Status Report in original and 2 copies; an additional copy shall be forwarded to the contracting officer. The monthly status report shall group bondees by sponsor and for each bondee shall list:

bond number
bondee name
Social Security number
DOT code
date coverage commenced
coverage termination date
coverage level (in units)
cumulative coverage (in units)
employer name & address
employer SIC code

Subtotals shall be struck for each sponsor to show bonding units consumed during the report month. Each Monthly Status Report shall include a recapitulation of unconsumed bonding units carried over from prior month, bonding units ordered during the report month, bonding units consumed during the report month, balance of unconsumed bonding units remaining and total number of bondees covered, added, and terminated during the report month.

The contractor shall submit a semi-annual claims report as of June 30 and December 31 each year and at the expiration of the contract in orginial and 3 copies to the director with an additional copy to the contracting officer. Each semi-annual claims report shall list for the report period:

claim number
date received
claimant name & address
date acknowledged
claim details
disposition and date

Claims listed as pending shall be carried forward on subsequent reports until final disposition has been made and reported.

SCHEDULE

The contractor shall submit an annual report as of June 30 each year and at the expiration of the contract in original and 3 copies to the Contracting Officer's Technical Representative with an additional copy to the contracting officer. This annual report is for the purpose of apprising the Contracting Officer's Technical Representative of the general progress and success of the program. In this annual report the contractor shall delineate coverage provided during the year, claims paid, claims accrued, loss ratio, number of bondees converted to commercial coverage, unsolved problems, opinions, and recommendations.

IX. COMPUTATION OF BONDING UNITS CONSUMED

For the purpose of computing the number of bonding units consumed, a fraction of a month's coverage shall count as a full month at the start of a bondee's period of coverage, but a fraction of a month at the end of bondee's period of coverage shall not be counted. No bondee shall be covered concurrently for more than one position.

X. PROGRAM ADMINISTRATION

A. Within 30 days of the effective date of this contract and subsequent to execution of the initial bonding unit call order the Contracting Officer's Technical Representative shall provide the contractor with a list of bondees currently under program coverage. The contractor shall continue coverage for these bondees on and after the effective date of the contract. This list shall indicate:

bondee name
DOT code
sponsor
level of coverage in bonding units
date coverage commenced
name & address of employer

B. Concurrently with the initial call order for bonding units the Contracting Officer's Technical Representative shall provide the contractor with a list of sponsors authorized to designate members of the labor force for bonding coverage under the contract. From time to time additions and deletions to this list shall be made in writing by the Contracting Officer's Technical Representative.

SCHEDULE

C. Sponsors shall designate candidates for coverage or terminate coverage in writing to the contractor as follows:

initiation or termination
effective date
name
social security number
DOT code
level of coverage
name & address of employer
SIC code

All such designations shall reference this contract number and be addressed to the contractor as follows:

Summit Insurance Company of New York
c/o Suite 514, 2000 L Street, NW
Washington, D.C. 20036

Effective date for initiation of coverage shall not be retroactive.

D. Contractor shall confirm initiation of coverage within 15 days of receipt of sponsor notification by issuance of a fully executed name schedule fidelity bond. In the case of termination of automatic coverage under Article IV above, cancellation shall take effect ten days after notification to the employer of such intent to cancel by the insurer. Orginal of such bond or other written notification shall be mailed to the employer with a copy to the sponsor.

E. The bond required to be furnished under the terms of this contract shall be identical in form, including clauses, provisions, agreements, conditions, etc., with the sample attached to this Schedule as "Exhibit A."

XI. KEY PERSONNEL

A. The key personnel which the contractor shall furnish for the performance of this contract are as follows:

John B. Clark
Thaddeus Clark
Victor Galin

SCHEDULE

B. The personnel specified above are considered to be essential to the work being performed hereunder. Prior to diverting any of the specified individuals to other programs, the contractor shall notify the Contracting Officer reasonably in advance and shall submit justification (including proposed substitutions) in sufficient detail to permit evaluation of the impact on the program. No diversion shall be made by the contractor without the written consent of the Contracting Officer; provided, that the Contracting Officer may ratify in writing such diversion and such ratification shall constitute the consent of the Contracting Officer required by this clause. The listing of key personnel may, with the consent of the contracting parties, be amemded from time to time during the course of the contract to either add or delete personnel, as appropriate.

XII. CONTRACTING OFFICER TECHNICAL REPRESENTATIVE

The Contracting Officer's Technical Representative is Mr. Finlay L. Petrie, Chief, Division of Placement, U.S. Employment Service, Manpower Administration, Department of Labor. He is authorized to perform such functions as are specified elsewhere in this schedule and to review and recommend approval of:

A. Technical matters not involving a change in the scope, price, terms, or conditions of this contract.

B. Monthly & Annual Reports.

C. Inspection & Acceptance of Services provided.

D. Invoices.

He is not authorized to sign any contractual instruments or direct any action that results in a change in the scope, price, terms, or conditions of this contract.

XIII. RENEGOTIATION OF PREMIUM RATE

Should any annual report disclose a loss ratio for the year of less than 35% the contractor agrees to negotiate with the government to reach a new premium rate such as will maintain the loss ratio above 35% for the succeeding year.

SCHEDULE

XIV. PROCEDURE FOR ISSUANCE OF CALL ORDERS

The Contracting Officer will issue "call orders" under the terms of this contract. Such orders will be unilateral within the limits described in Article III above and the available funds stated in this contract.

(1) Standard Procedure:

a. Call orders will describe the services to be provided, points of performance or delivery and total price.

b. Call orders will be effective on the date they are signed by the Contracting Officer.

c. Call orders will be consecutively numbered.

d. An initial call order for 100,000 bonding units shall be executed at the inception of this contract.

e. Subsequent call orders shall be for quantities of not less than 25,000 bonding units.

XV. SPECIAL SERVICES

The special services described under Article III above, will be performed exclusively by the contractor's appointee, The McLaughlin Company, 2000 L Street, NW, Washington, D.C. 20036.

XVI. PAYMENT

The fixed price of fidelity bonding units under this contract will be $.85 per unit. Initial payment for 10,000 bonding units shall be submitted for processing concurrently with the initial call order for bonding units. Subsequent payments shall be made against monthly invoices in the amount of the estimated bonding unit consumption for the succeeding month. Invoices will be submitted (original and four (4) copies) to:

Contracting Officer
Division of Procurement
Office of Administrative Services (Room 7102)
Department of Labor
14th & Constitution Ave, NW
Washington, D.C. 20210

2.11 CONCLUSIONS, "BONDING DEMONSTRATION PROJECT: AN ANALYSIS OF THE PROGRAM'S FIRST YEAR"

BONDING DEMONSTRATION PROJECT

AN ANALYSIS OF THE PROGRAM'S FIRST YEAR

This report on a special manpower project was prepared under a contract with the Manpower Administration, Department of Labor, under the authority of the Manpower Development and Training Act. Organizations and individuals undertaking such projects under Government sponsorship are encouraged to express their own judgment freely. Therefore, points of view or opinions stated in this document do not necessarily represent the official position or policy of the Department of Labor.

Marion C. Katzive

October, 1968
Contract No. PO 82-34-68-39

IV. CONCLUSION

The Bonding Assistance Demonstration Project was conceived as a means of demonstrating the viability of bonding ex-offenders who would otherwise be held back from suitable employment. During its first year little was found out about the need for such bonding or the risks it involves, but a degree of certainty was achieved on the question of whether the availability of bonding could actually make a difference in the employability of former offenders. It now seems clear that for at least some persons with criminal records, bonding can make the difference between unemployment and a stable, suitable position.

Further experimentation should be directed toward testing this conclusion and finding out more about the persons who are actually benefited by bonding. With more complete information about the characteristics of the "successful" bondee, bonding slots could be more efficiently utilized. Similarly, information on characteristics of employers benefiting from the program would aid in efforts to develop job opportunities. Programs emphasizing use of bonding for training or upgrading should also be tested during the experimental period as possible means of exploiting the full potential of a bonding program.

The first two years of the bonding program have resulted in no assurances that bonding companies are ready to change their exclusionary policies. The results of further experimentation might demonstrate the usefulness of a bonding program run by the Department of Labor to service the limited number of workers and employers who are able to benefit from the non-exclusionary bond.

2.12 ABSTRACT BONDING ASSISTANCE DEMONSTRATION PROJECT IN PRISONER TRAINING PROGRAMS

STANDARD TITLE PAGE FOR TECHNICAL REPORTS	1. Report No. DLMA 82-01-69-06-4	2. Govt. Accession No.	3. Recipient's Catalog No.

4. Title and Subtitle

BONDING ASSISTANCE DEMONSTRATION PROJECT IN PRISONER TRAINING PROGRAMS

5. Report Date: SEPTEMBER 1972

6. Performing Organization Code

7. Author(s): ROBERT R. SMITH

8. Performing Organization Rept. No.

9. Performing Organization Name and Address

EXPERIMENTAL MANPOWER LABORATORY FOR CORRECTIONS
DRAPER CORRECTIONAL CENTER
ELMORE, ALABAMA

10. Project/Task/Work Unit No.

11. Contract/Grant No.: DL 82-01-69-06

12. Sponsoring Agency Name and Address

U.S. Department of Labor
Manpower Administration
Office of Research and Development
1111 20th St., N.W. Washington, D.C. 20210

13. Type of Report & Period Covered: FINAL

14. Sponsoring Agency Code

15. Supplementary Notes

16. Abstracts

The availability of fidelity bonds for ex-offenders who were involved in the U. S. Department of Labor's (DOL) institutional "251" prisoner training projects has assisted job-qualified ex-offenders in gaining jobs they would not have gotten otherwise. This report (a) describes methods used in providing bonding assistance to ex-offenders, utilizing a central agency, and (b) presents an analysis of demographic data on the types of ex-offenders who required bond.

This project, started in August 1966, is only a small part of the larger Federal Bonding Program which the Department of Labor has been conducting since 1966. One of the objectives of this current study was to assess the feasibility of a central agency administering the project for numerous geographically dispersed prisoner training projects. The Experimental Manpower Laboratory for Corrections (EMLC) at the Draper Correctional Center in Elmore, Alabama, acted as the central agency and collected, analyzed, and reported the demographic data which were gathered on the bondees.

Two important findings from the analysis of the demographic data and anecdotal material are noteworthy: (1) The project appears to have had its greatest impact in assisting *job-qualified* ex-offenders to obtain employment who would otherwise have been unable to obtain *those* jobs, and (2) many ex-offenders were placed in jobs without having a bond negotiated. In many reports from the BCA's, it was indicated that they were placing ex-offenders in jobs merely because the employers were sold on their qualifications as soon as it was learned that the federal government would bond them if needed.

17. Key Words and Document Analysis. 17a. Descriptors

EDUCATION
EFFECTIVENESS
EMPLOYMENT
EVALUATION
MALES
MANPOWER
MANPOWER UTILIZATION
MOBILITY
ORIENTATION
PROFESSIONAL PERSONNEL
REHABILITATION
SOCIOECONOMIC STATUS
SPECIALIZED TRAINING
UPGRADING

17b. Identifiers/Open-Ended Terms

BONDING ASSISTANCE DEMONSTRATION PROJECT

17c. COSATI Field/Group 5I

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FORM CPSTI-33 (6-70) USCOMM-DC 60002-P70

Abstract

The availability of fidelity bonds for ex-offenders who were involved in the U. S. Department of Labor's (DOL) institutional "251" prisoner training projects has assisted job-qualified ex-offenders in gaining jobs they would not have gotten otherwise. This report (a) describes methods used in providing bonding assistance to ex-offenders, utilizing a central agency, and (b) presents an analysis of demographic data on the types of ex-offenders who required bond.

This project, started in August 1969, is only a small part of the larger Federal Bonding Program which the Department of Labor has been conducting since 1966. One of the objectives of this current study was to assess the feasibility of a central agency administering the project for numerous geographically dispersed prisoner training projects. The Experimental Manpower Laboratory for Corrections (EMLC) at the Draper Correctional Center in Elmore, Alabama, acted as the central agency and collected, analyzed, and reported the demographic data which were gathered on the bondees.

Only minor problems were encountered in the central agency administration, and they were remedied quickly. The ease in administering the project is attributed to an open line of informal and formal communication between the bonding certification agents in the field and the director. This close working relationship helped to reduce formalities to a minimum and facilitated timely reporting from the field. Conference calls from the director to groups of BCA's and brief letters were also used periodically to help maintain these ties.

Two important findings from the analysis of the demographic data and anecdotal material are noteworthy: (1) The project appears to have had its greatest impact in assisting *job-qualified* ex-offenders to obtain employment who would otherwise have been unable to obtain *those* jobs, and (2) many ex-offenders were placed in jobs without having a bond negotiated. In many reports from the BCA's, it was indicated that they were placing ex-offenders in jobs merely because the employers were sold on their qualifications as soon as it was learned that the federal government would bond them if needed.

Additionally, it was found that if a central agency is to function effectively as a training center, a problem-solving and question-answering service, and a data collection and analysis organization, it must devote the better part of three persons' time to the task.

From the overall analysis of the bonding project, two recommendations are made: (1) That in order to prevent unnecessary bonding unit usage, all agents should periodically cross-check bondee records on hand with a print-out from the bonding company which indicates the dates that individuals were bonded and terminated and (2) that all agents be required to maintain data for those individuals who are not bonded but who are placed in jobs merely because the agent mentioned the bonding capability. Data from (2) would yield a more accurate appraisal of the bonding program's beneficial impact.

3.0 MATERIALS FROM STATE AND LOCAL EMPLOYMENT SERVICE OFFICES

3.1 INSTRUCTIONS FOR OPERATING THE FEDERAL BONDING PROGRAM, WISCONSIN STATE EMPLOYMENT SERVICE

INSTRUCTIONS

for

OPERATION OF

the

FEDERAL BONDING PROGRAM

Wisconsin State Employment Service
Division of Manpower Utilization
February 1971

A-67

LOCATION OF DESIGNATED DISTRICT OFFICE

FEDERAL BONDING SPECIALISTS

Appleton

Serves Appleton WIN, Neenah-Menasha

Ashland

Serves Ashland and Medford CEP

Beaver Dam

Beloit

Serves Beloit WIN

Eau Claire

Serves Eau Claire WIN & Rice Lake

Fond du Lac

Serves Fond du Lac Win

Green Bay

Serves Green Bay WIN and Shawano

Janesville

Serves Elkhorn and Monroe

Kenosha

Serves Kenosha WIN

La Crosse

Serves Sparta SCP and Tomah

Lancaster

Serves Platteville

Madison Adult

Serves Madison YOC and WIN

Manitowoc

Marinette

Marshfield

Milwaukee

Serves WIN, North CEP, South CEP, & South Milwaukee

Oshkosh

Serves Oshkosh WIN

Racine

Serves Racine WIN

Rhinelander

Serves Antigo SCP

Sheboygan

Stevens Point

Superior

Serves Superior WIN & Superior, Ladysmith & Spooner CEP

Watertown

Waukesha

Wausau

Serves Wausau WIN

Wisconsin Rapids

General Information Concerning the Federal Bonding Program

The Federal Bonding Program is authorized by the MDTA Act of 1962 amended in 1965 and is currently funded in the Department of Labor, Manpower Administration by a combination of E and D and MDTA monies.

The Manpower Administration has purchased sufficient $500 bonding units from the bonding contractor to cover all requests from the 50 states until July 1, 1971. Funding with MDTA monies will continue after this date.

The only type of fidelity bond available through the program is the Name Schedule Bond. This bond protects the employer against loss of money or property through an employe's infidelity, dishonesty or default.

Any individual is eligible for ES bonding coverage who has filed a work application with the Employment Service and is unable to secure suitable full-time, permanent employment with a specific employer (who requires a fidelity bond as a condition of employment) because bonding coverage has been refused through regular commercial bonding sources.

Permanent full-time employment should be interpreted in terms of the local labor market, e.g., can be as low as 30 hours per week if this is standard with an employer.

Individuals on an OJT contract where an employer-employe relationship has been established with a view toward permanent employment are eligible.

Individuals who are on a temporary work-experience assignment such as WIN or NYC, or who are still in MDTA training, are not eligible.

An individual employed on a correctional institution work-release program, where the employer has agreed to hire the individual upon final release, is eligible for bonding.

Self-employed persons are not eligible.

Domestic workers may be bonded for only one full-time job.

Citizenship is not a prerequisite for obtaining a bond as long as the individual is legally able to work.

Any bondee whose coverage has been terminated because of any fraudulent or dishonest act is not eligible for further bond coverage. A quarterly list of defaulters by name and Social Security number will be regularly distributed to local Bonding Specialists.

Bonding coverage should also be extended to an already employed worker whom an employer wishes to transfer or promote into a bondable job, but who has been refused bonding coverage through regular commercial bonding sources. Contact with the ES can be made by either the worker or the employer. The worker must be personally interviewed by the ES to ascertain whether private bond refusal has actually occurred.

Bonding units are issued in multiples of $500 with a maximum limit of $10,000, on any one employe. Specialists should issue the lowest minimum amount an employer will accept.

In a special case where a commercial bonding company has refused coverage of an employe which is above our $10,000 maximum , e.g., requirement of a $25,000 bond, the ES Specialist may certify a $10,000 bond provided that the commercial bonding company agrees to cover the employe with the additional required $15,000 of bonding.

When an ES certified bond is terminated by the Specialist at the end of 18 months, the McLaughlin Company will contact the employer by mail and offer private bonding coverage of the employe at the lowest standard rate then prevailing in the locality.

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Procedures for Handling The Federal Bonding Program

The determination of a need for ES bonding of an applicant in order that he might secure suitable, permanent, full-time employment can be made by any selection and referral interviewer, counselor or job developer.

Evidence such as an oral statement from either the applicant or employer that fidelity bonding has been refused the applicant by commercial bonding sources should be recorded on the applicant's Application Card, Form WSES-200, under Job Development Efforts.

Once applicant eligibility is verified and an employer agrees to hire an applicant, if the ES furnishes a bond, this information should be given to the district office Bonding Specialist who will complete the Sponsor's Certification form in triplicate, sign it and forward one copy to the agent in Washington, D.C. This must reach the McLaughlin Co., Washington, D.C. within 15 days of the bondee's entry on the job. The Specialist will keep one copy for the bonding file and forward one copy to the State Bonding Coordinator, Administrative Office, Division of Manpower Utilization, Madison.

In the meantime, the Bonding Specialist will issue Bonding Form Letter No. 1 to the employer, indicating the amount of bond, and name and Social Security number of the individual bonded, and informing the employer that coverage for one year is effective with entry of the applicant on the job. (The employer will receive the actual bond within 15 days with a copy to the ES Bonding Specialist.)

Outlying offices, e.g., Antigo SCP, will obtain fidelity bonding service through the designated Bonding Specialist in the district office serving their territory, in this case Rhinelander. The outlying office will verify that bonding of an applicant has been refused by commercial bonding sources and enter this on the applicant's Application Card, Form WSES-200. Request will then be made for Certification forms and the satellite office will complete sections B and C and forward them to the Bonding Specialist for certification and mailing to Washington, D.C. Follow-up with the employer, using the form letters, and all terminations will be handled directly by the Bonding Specialist in the district office making the certification.

At the end of two months of bonding, the Bonding Specialist will contact the employer, using Bonding Form Letter No. 2 to ascertain whether the applicant is still on the job and, if not, remind the employer to return the bond to the ES for termination (enclose return-addressed indicia envelope for convenience). This is an important contact, since experience in other states has shown that most terminations occur in the first 60 days of employment and the employer frequently forgets to return the bond which we then continue to pay for. Also, each termination makes that many more units of $500 bonding available to the ES for other applicants.

To terminate an existing bond the Specialist will complete the "Sponsor's Request for Termination" in quadruplicate, including the Bond Number, sign the termination and forward two copies along with the bond itself to the McLaughlin Company.

About two weeks prior to the end of one year the Bonding Specialist will contact the employer, using Bonding Form Letter No. 3.. This letter is sent to attempt to get the employer to take over the bonding of the individual or drop bonding entirely. If this request results in jeopardizing the employe's job and the employer refuses to drop bonding requirements, the employer may be informed that the bond will be continued for an additional six months.

At the end of 18 months the Bonding Specialist will inform the employer that the bond has expired and should be returned to the district office for termination.

If a bondee changes jobs with the same employer, which results in a need for a change in the amount of coverage, the Specialist should prepare new Sections A, B and D of the Certification form and forward to the McLaughlin Company. They will then certify the bondee for the new job.

Since bonding is considered to be part of the total placement process, staff time in this connection should be charged to Code 550.

Criteria for eligibility of applicants are very lenient and we know of no liability which would be incurred by the district office or the bonding specialist from operation of the program.

If you have any questions concerning eligibility of individuals or problems with employers, please contact the Administrative Office as follows:

H. A. Blankenburg, State Bonding Coordinator
Telephone: 608 266-0366

or

Mrs. Mary Bresnahan, Alternate
Telephone: 608 266-0367

State of Wisconsin \ DEPARTMENT OF INDUSTRY, LABOR and HUMAN RELATIONS

WISCONSIN STATE EMPLOYMENT SERVICE

(D.O. Address and City)

February 26, 1971

To Employer,

This is to confirm that the _____ fidelity bond covering
Amount of Bond

_____ whose Social Security
Name of Individual

No. is _____ has been certified by our District

office Bonding Specialist and is effective immediately upon beginning employment with your firm. The signed Certification has been forwarded to the McLaughlin Company, 2000 L Street, N.W., Washington, D.C., 20036, underwriters, and you should receive the actual Bond from them within 15 days. The Bond will be in effect for one year.

Please file the Bond in the Employe's personnel folder and return it to our office immediately if the employe terminates employment with your firm.

All communications concerning your filing of a claim in connection with this Bond should be directed to the McLaughlin Company at the above address.

To effect any change in coverage, contact the Bonding Specialist at our office.

Sincerely,

District Manpower Director

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Bonding WSES-1

3.2 LETTER TO EMPLOYERS,

CALIFORNIA STATE EMPLOYMENT SERVICE

State of Wisconsin \ DEPARTMENT OF INDUSTRY, LABOR and HUMAN RELATIONS

WISCONSIN STATE EMPLOYMENT SERVICE

(D.O. address and city)

April 26, 1971

To Employer,

This is a routine check to see if _____,
(Name of Individual)

whom we have bonded under the ES Bonding Program, is still on your payroll. If not, please return the Bond to our office using the enclosed envelope. No postage is required.

If the employe remains on your payroll, please check below and return this letter in the postage-free envelope. In this case bonding by us will continue.

☐ Employe still on payroll

Sincerely,

District Manpower Director

Bonding WSES-2

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State of Wisconsin \ DEPARTMENT OF INDUSTRY, LABOR and HUMAN RELATIONS

WISCONSIN STATE EMPLOYMENT SERVICE

(D.O. address and city)

February 26, 1972

To Employer,

This is to inform you that the fidelity bond covering _____
(Name of Individual)

which we furnished for one year will expire on _____.
Since the individual has had no problems during the year in connection with the Bond, further coverage may not be necessary. If you feel continued coverage is required, we would appreciate your considering regular commercial bonding. This will make funds from our bonding program available to other worthy applicants for work.

If you will return the original Bond to our office we will handle details of termination. Feel free to call us if you have any questions.

Sincerely,

District Manpower Director

Bonding WSES-3

A-76206

SPONSOR'S CERTIFICATION

(Please Type)

TO: **The McLaughlin Company, Agents**
Indiana Bonding & Surety Company
2000 L Street, Northwest
Suite 514
Washington, D. C. 20036

For Company Use Only	

A. SPONSOR

John J. Doe		ES Bonding Specialist
Wisconsin State Employment Service (Name)		P.O. Box 1469 (Address)
Janesville (City)	Wisconsin (State)	53545 (Zip)

SAMPLE

B. EMPLOYER

The ABC National Bank		
123 Lincoln Street (Name)		(Address)
Janesville (City)	Wisconsin (State)	53545 (Zip)

C. For NEW coverage, complete the following

Name of Bondee Last	First	Amount of Bond	Effective Date Mo.	Day	Year	Social Security Number	D.O.T. Code
Smith	John	$2500	2	24	71	394-06-1416	212.368

Note: Keep one copy in ES file and mail one copy to State Bonding Coordinator. The McLaughlin Co. will return one copy acknowledging termination.

The McLaughlin Company

Date Acknowledged _____ By _____

SPONSOR'S REQUEST FOR TERMINATION

SPONSOR

John J. Doe		
Name		
Wisconsin State Employment Service P.O.Box 1469		
Address		
Janesville	Wisconsin	53545
City	State	Zip

EMPLOYER

The ABC National Bank		
Name		
123 Lincoln Street		
Address		
Janesville	Wisconsin	53545
City	State	Zip

E. The above Sponsor hereby notifies **The McLaughlin Company** of the cancellation specified below under BOND NUMBER 2456 and warrants that the Employer has been so notified:

Name of Bondee		Effective Date of Termination		
Last	First	Mo.	Day	Year
Smith	John	6	15	71

Date Submitted 6/15/71

John J. Doe
Signature of Coordinator

Local Office No.
Telephone No.
608-754-0221

INSTRUCTIONS

1. If this side of form is completed, it should be typed in FOUR COPIES and original and one copy mailed to **Indiana Bonding & Surety Company** at address on reverse.
2. If a Bondee changes from one Employer to another, his coverage MUST be cancelled on this side and new coverage ordered.

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Indiana Bonding hereby acknowledges receipt of the above request for termination, and has effected

(All communications in connection with this Bond should be directed to The McLaughlin Company, 2000 L St., N.W., Washington, D.C. 20036.)

NAME SCHEDULE FIDELITY BOND

INDIANA BONDING & SURETY COMPANY

(herein called the Underwriter)

DECLARATIONS

1. _____ Bond Number _____

Name of Employer

_____

Address

_____

City State

and the United States of America, herein called the Insured.

2. Effective Date of Coverage _____

3. Schedule:

SAMPLE

Name of Bondee Last	First	Amount of Coverage

Signed, sealed and dated this _____ day of _____, 19 __

INDIANA BONDING & SURETY COMPANY

By: _____

Attorney-in-Fact

4. The liability of the Underwriter is subject to the terms of the following conditions:

The Underwriter, in consideration of the payment of an agreed premium and subject to the Declarations made a part hereof, the Agreements, Conditions and other terms of this bond, agrees with the Insured as follows:

AGREEMENTS

1. Insuring Agreement

TO PAY the Insured for loss of money or property (including that for which the Insured is responsible) sustained through any fraudulent or dishonest acts committed by any employee, alone or in collusion, named or occupying a position listed, in the Schedule as indicated in Declaration 3, while coverage of the employee, or of the position, as the case may be, is in force, and discovered within 15 months after cancellation (applicable, when coverage is decreased, to the cancelled portion from the date of decrease), or cancellation of this Bond as an entirety, as provided in Condition 5 or in any other manner.

2. Indemnity against loss under prior Bond or Policy

If the coverage of this Bond is substituted for any prior bond or policy of insurance carried by the Insured or by any predecessor in interest of the Insured which prior bond or policy is terminated, cancelled or allowed to expire as of the time of such substitution, the Underwriter agrees to indemnify the Insured against any loss sustained by the Insured, as aforesaid, and discovered as provided above and which would have been recoverable by the Insured or such predecessor under such prior bond or policy except for the fact that the time within which to discover loss thereunder had expired; PROVIDED: (1) the indemnity afforded by this paragraph shall be a part of and not in addition to the amount of coverage afforded by this Bond; and (2) such loss would have been covered under this Bond, had this Bond with its agreements, limitations and conditions as of the time of such substitution been in force when the acts or defaults causing such loss were committed; and (3) recovery under this Bond on account of such loss shall in no event exceed the amount which would have been recoverable under this Bond, in the amount for which it is written as of the time of such substitution, had this Bond been in force when such acts or defaults were committed, or the amount which would have been recoverable under such prior bond or policy had such prior bond or policy continued in force until discovery of such loss, if the latter amount be smaller.

Important: Notification must be given to employment service immediately upon termination of employment of Bondee.

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3. Joint Insured (not applicable where there is but one Insured)
The inclusion of more than one Insured shall not operate to increase the total liability of the Underwriter under this Bond. If more than one Insured is named, notice cancelling the Bond shall be given as provided in Condition 5 by the Insured first named in Declaration 1 to the Underwriter, or by the Underwriter to the other, as the case may be. Such first-named Insured shall, as provided in Condition 3 and in behalf of itself and its Joint Insured, give notice to and furnish particulars to the Underwriter, bring legal proceedings for its own account or as Trustee for any Joint Insured, consent to settlement on account of any claim, and any payment made with the consent of the first-named Insured shall fully release the Underwriter on account of such claim. If the first-named Insured ceases for any reason to be covered under this Bond, then the Insured next named shall thereafter be considered as the first-named Insured for all the purposes of this Bond.

CONDITIONS

1. Period and amount of coverage
Coverage, listed by name or position as indicated in Declaration 3, starts with the effective date of this Bond, or of any item added thereafter, in the amount listed in the Schedule and ends with the date of cancellation as to employee or position, as the case may be and applies to the term of employment of any employee coverage of whom has not been cancelled as provided in Condition 5. Such coverage may be started, increased or decreased by written request of a certifying Sponsor and agreement of the Underwriter. Regardless of the number of years such coverage shall continue and of the number of premiums payable or paid, the Underwriter's liability shall not be cumulative, nor shall the Underwriter be liable for more in the aggregate than the largest amount listed, even though such coverage is not continuous because cancelled for one or more periods, or the amount of such coverage is changed. If coverage is scheduled by position, (1) the Underwriter's liability upon an employee serving in more than one position shall not exceed the largest amount of coverage listed for any position while occupied by him; (2) in case all identical positions are not covered under this Bond, the Underwriter's liability for loss under any such position shall be reduced by the proportion that the number of such positions uncovered bears to the total number of such positions.

2. Limit of liability under this Bond and prior insurance
With respect to loss caused by any employee and which occurs partly during the period of coverage and partly during the period of other bonds or policies issued by the Underwriter to the Insured or to any predecessor in interest of the Insured and terminated or cancelled or allowed to expire and in which the period for discovery has not expired at the time any such loss thereunder is discovered the total liability of the Underwriter under this Bond and under such other Bonds or Policies shall not exceed in the aggregate, the amount listed in the Schedule or the amount available to the Insured under such other bonds or policies as limited by the terms and conditions thereof, for any such loss, if the latter amount be the larger.

3. Loss-Notice-Proof-Suit
Within 15 days after discovery, the Employer shall give the Underwriter notice of loss. Within 3 months after discovery, the Employer shall file with the Underwriter written, itemized proof of loss, duly sworn to. Legal proceedings for recovery of loss under this bond shall make the employee a party to the suit, serving him with process therein, if accessible within the jurisdiction and shall not be brought after the expiration of 15 months from the filing of the proof. Any of these limitations, if prohibited under the law applicable to this Bond, shall be extended to the minimum period permitted.

4. Salvage
In case the Insured's loss exceeds the amount of coverage, the amount of recovery on account of any loss under this Bond, less the actual costs of making same, shall first be applied to reimburse the Insured in full.

5. Cancellation
Coverage of any employee shall be deemed cancelled (a) immediately upon discovery by the Insured of a dishonest act committed by the employee, or (b) immediately the employee leaves the service of the Insured. This Bond shall be deemed cancelled as an entirety automatically immediately (1) upon cancellation of all items in the Schedule, (2) upon surrender of this Bond to the Underwriter, (3) upon the retirement from business by the Insured, (4) upon the taking over of the Insured by a receiver, other liquidator or another organization.

The mailing of written notice to the Insured by the Underwriter as provided in this Condition shall be sufficient proof of notice and the coverage under this bond shall end on the effective date of cancellation stated in the notice. PROVIDED: No cancellation, termination, or modification of this Bond, whether by or at the request of the certifying Sponsor or by the Underwriter, shall take effect prior to the expiration of 15 days after written notice of such cancellation, termination, or modification has been filed with the certifying Sponsor, unless an earlier date of such cancellation, termination, or modification is approved by said certifying Sponsor.

6. Changes
By acceptance of this Bond it is agreed that it embodies all agreements existing between the Insured and the Underwriter or any of its agents relating to this insurance. None of the provisions, conditions or other terms of this Bond shall be waived or altered, except in writing and any such waiver or alteration to be enforceable against the Underwriter shall be made by rider issued to form a part hereof and signed by an attorney-in-fact of the Underwriter.

In witness whereof, the Underwriter has caused this Bond to be executed on the Declarations page.

STATE OF CALIFORNIA — RONALD REAGAN, Governor

DEPARTMENT OF EMPLOYMENT

CALIFORNIA STATE EMPLOYMENT SERVICE

1525 South Broadway
Los Angeles, California 90015

REFER TO:

386:125

Date: _____

Gentlemen:

Thank you for participating in our Bonding Program. An indemnity and fidelity bond in the amount of $_____ will be issued by the United Bonding Insurance Co. effective _____. This bond is to cover your company against any losses caused by the bondee, _____.

A copy of the bond will be mailed directly to you from the bonding company. Allow approximately ten days from today for the bond to arrive. If you have not received it by then, please call the Bonding Specialist at your local California State Employment Service office _____ _____ telephone number _____.

Bonds are issued for twelve month periods and may be renewed at the end of that period, if a bondafide need exists. Since this program is not intended to provide open end coverage, it will be necessary for your company to attempt to use your own bonding resources at that time. If this attempt is unsuccessful, the existing bond will be renewed for an additional year.

The Federal government absorbs the full cost of this program; therefore, there is no charge for this bond either to your company or the bondee.

A bi-monthly follow-up is required to determine the current status of all bonds. To accomplish this, your assistance is solicited. You will receive a very simple questionnaire asking: (1) Is the bondee still in your employ? (2) If not, date of termination and why. Any comments you wish to include will be appreciated. A self-addressed, no postage required, envelope will be attached to the questionnaire.

IN THE EVENT THAT THE BONDEE'S EMPLOYMENT IS TERMINATED, IT IS VITALLY IMPORTANT THAT YOU NOTIFY THE CALIFORNIA STATE EMPLOYMENT SERVICE OFFICE BONDING SPECIALIST AS SOON AS POSSIBLE. THE FEDERAL GOVERNMENT IS CHARGED BY THE BONDING COMPANY ON A MONTHLY BASIS AND YOUR NOTIFICATION OF TERMINATION WOULD AVOID NEEDLESS EXPENDITURE OF PUBLIC TAX DOLLARS.

If you have any questions or require assistance concerning this program, please contact the Bonding Specialist.

Sincerely,

Arthur Morgan, Manpower Administrator
Los Angeles Metropolitan Area

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HIRE THROUGH THE STATE EMPLOYMENT SERVICE

3.3 BONDING PROGRAM PUBLICITY FLYER,

UNITED PLANNING ORGANIZATION

ARREST or CONVICTION RECORD

KEEPING YOU FROM A JOB ??

Has an employer told you —
"We can't hire you because you've been arrested! We can't bond you! Get a police clearance before you're hired!"

Go to the nearest UNITED PLANNING ORGANIZATION (UPO) NEIGHBORHOOD EMPLOYMENT NETWORK CENTER.

Ask about the **UPO BONDING PROJECT**

GET COMPLETE INFORMATION ABOUT:

- **BONDING**
- **JOBS**
- **TRAINING**

Visit the Neighborhood Employment Center nearest you —

1. 1000 U Street, N.W.
2. 2435 14th Street, N.W.
3. 3308 14th Street, N.W.
4. 220 K Street, N.W.
5. 515 8th Street, S.E.
6. 3310 18th Street, S.E.
7. 622 Division Ave., N.E.
8. 516 H Street, N.E.

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3.4 LETTER TO EMPLOYERS,

UNITED PLANNING ORGANIZATION

UNITED PLANNING ORGANIZATION
OF THE NATIONAL CAPITAL AREA

Dear Sir:

What can a business executive do constructively when he wants to hire someone, but because the person has an arrest or conviction record, the firm's blanket bonding policy appears to rule out such employment? Something is being done to answer that specific question!

An amendment to the Manpower Act in 1965 has provided a program, operating on a limited scale, that enables employers in the Metropolitan Washington Area to avail themselves of skills and abilities possessed by people previously unemployable under blanket bonding provisions. Specifically, Section 105, Title I, of the Manpower Act, empowers the Secretary of Labor to develop and administer experimental bonding programs for disadvantaged persons who are otherwise qualified for employment.

On June 8, 1966, pursuant to the provisions of this Act, the United Planning Organization, the Community Action Agency of the National Capital Area, was designated by the Department of Labor, as a sponsor of such a bonding program. New York, Chicago, and Los Angeles are other cities which have been designated as participants in the demonstration program.

The United Planning Organization has already been able to place a number of people in jobs that would have been denied them were the Department of Labor bonding program not in operation. Several Washington business executives have filled critical vacancies by employing good men who were bonded through the sponsorship of the United Planning Organization.

Not only is this bonding program assisting in upgrading the employment opportunities open to many people, it is providing

1100 Vermont Avenue, N.W. • Washington, D.C. • 20005 • Telephone: 659-1100

many employers who are seriously hampered by a critical labor shortage with semi-skilled and skilled, capable and industrious employees.

Because this program has great value for many of the employers among your membership, the United Planning Organization would welcome an opportunity to discuss its full implications with you at your earliest convenience. A phone call or a letter from you will bring one of our manpower staff to give you more particulars. We have several capable speakers who would be pleased to discuss this program at one of your regular meetings.

You may receive further information by calling members of the UPO Manpower staff (Job Development Section) at 659-1100.

Sincerely,

James G. Banks

James G. Banks
Executive Director

3.5 FIELD OPERATIONS MANUAL,

NEW YORK STATE DEPARTMENT OF LABOR

F.O.B.

NEW YORK STATE DEPARTMENT OF LABOR
DIVISION OF EMPLOYMENT
FIELD OPERATIONS BUREAU

FIELD OPERATIONS MANUAL
Transmittal Letter No. 5-67-48 DATE: August 15, 1967

Re: Selection and Processing of Participants
in the MDTA Bonding Project

This item transmits a new manual section which provides for the establishment of the MDTA Bonding Project on a Statewide basis. New York City memo ES 43(66) is now obsolete. Local offices will receive an initial supply of fifty copies each of forms ES 698 and ES 699. Additional supplies may be requisitioned from the Albany stockroom.

Abe Lavine
Director of Field Operations

Items Transmitted	Items Obsolete
Table of Contents II 26390-26395 dated 8/15/67 II 26390-26395 dated 8/15/67 II ES 698 dated 8/15/67 II ES 699 dated 8/15/67	None

Statewide

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26390-26395 SELECTION AND PROCESSING OF PARTICIPANTS IN THE MDTA BONDING PROJECT

26390 Introduction

The MDTA Bonding Project is designed to provide bonding coverage for workers whose prospective jobs require bonding but who are unable to obtain bonding through regular channels because of police records, unsatisfactory credit ratings or short periods of residence. The "MDTA" in the title refers to the creation of this project by the MDTA Act of 1965. Bonding coverage may be offered to any applicant, regardless of whether or not he has participated in other MDTA projects.

Bonding units for the program are being made available through the New York State Employment Service. Each bonding unit represents 1 month's coverage under a $500 bond. Maximum coverage for eligible participants in the program is $10,000 for one year (or a total of 240 bonding units). At the time a request for bonding is received from a local office, the Employment Consultant-Parole will reserve sufficient units to cover the bond for a minimum of one year. Should the bond be cancelled prior to the expiration of the year computed from the effective date of the bond any unused units remaining will be returned to the general fund.

Under the terms of agreement with the insurance carrier, the Employment Consultant-Parole will be charged the number of units required for two month's coverage for each individual bonded even though the duration of employment may be less than two months time. Example: A worker bonded for $1,000 (2 units per month) who terminated employment after 1 day would use up 4 units.

For each individual covered under the MDTA bond there is no designated time of termination - the bond is open ended. The reason the Employment Consultant-Parole computes the bond unit allocation on the basis of a year is to insure that there will be sufficient bonding units available for that period of time. 100,000 units were purchased from the insurance carrier to be available to sponsors until the supply of units is exhausted. If the sponsor has not allocated all of his units it is possible that he could then apply remaining units to extend current bonds.

It is hoped that employers will consider taking MDTA bondees under their own commercial coverage at the end of a year's satisfactory performance by the bondee. Steps toward this may be taken at the local level; local office bonding representatives may initiate negotiations with employers as the year's performance by the employee draws to an end.

26391 Purpose

The primary purposes of the bonding project are:

A. To provide bonding service for applicants who would otherwise be unable to obtain this service.

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26391 (continued)

B. To determine the advisability of the continuance of this experimental program.

C. To obtain data necessary to determine the extent of need for this type of bonding.

D. To develop techinques for its implementation.

Therefore, the local office bonding representative will:

1. Complete the Applicant History Form ES 699, for each individual considered for MDTA bonding.

2. For those for whom bonding is requested, process the necessary forms and send them to the state sponsor.

3. In all other cases, retain Form ES 699 in the file for future reference.

4. Enter an explanation concerning the circumstances of each case under the "Comments" section.

26392 Use of Bonding in Placement

Caution should be exercised not to use the availability of the MDTA Bonding Project to initiate negotiation for referral of an applicant to the employer. First tell the employer about the applicant's qualifications and positive attributes. Discuss use of Bonding Project bonds when (1) lack of commercial bondability is the last barrier to acceptance or (2) the position to be filled is one in which the incumbent could cause financial loss to the employer. Offer the Bonding Project bond as a surety protection for the employer not as a reason for hiring the applicant. Bond coverage is meant to supplement the applicant's qualfications.

The availability of Bonding Project bonds should be used to obtain job openings for the applicant who may be considered marginal because of a police record, unsatisfactory credit rating or short period of residence. In order to "sell" such an applicant, the interviewer-counselor may offer bonding coverage on those jobs not traditionally bondable but where dishonesty on the part of the employee would result in financial loss to the employer.

26393 Local Office Bonding Representative's Responsibilities

A bonding representative and an alternate will be designated for each local office and Youth Opportunity Center by the Office Manager. The local office bonding representative will:

A. Use the following criteria to establish the eligibility of the

SELECTION AND PROCESSING OF
PARTICIPANTS IN THE MDTA BONDING PROJECT

26393 (continued)

applicant and the employer for the project.

1. Applicant eligibility.

   a. Is seeking employment in New York State.

   b. Possesses the occupational skills needed to fill the bondable job.

   c. Requires bonding to obtain suitable employment.

   d. Cannot obtain bonding through regular commercial channels.

   e. Has not previously been terminated under this program because of a fradulent or dishonest act.

   Note: No bondee may be covered for more than one bonded job at any given time.

2. Employer eligibility.

   a. Job order includes bonding requirement
   or
   job opening is not presently a bonded position but irresponsible or dishonest conduct in the position could materially damage the employer.

   b. Employer is unable to obtain bonding for the applicant under his regular bonding contract.

   c. Job order is for a full-time position with reasonable expectation of permanency, adequate wages and working conditions.

   d. Required bond coverage does not exceed $10,000 (20 bonding units per month.)

In New York City Only:

Telephone the MDTA Bonding Program Sponsor
Mr. William G. Rafferty,
(telephone: 563-7660)
to:

1. Ascertain the availability of bonding units.

2. Reserve the appropriate number of bonding units.

SELECTION AND PROCESSING OF
PARTICIPANTS IN THE MDTA BONDING PROJECT

26393 (continued)

B. Contact the employer to inform him that bonding has been arranged for the applicant. The effective date of the bond is the date on which the applicant starts work.

C. Take the following action when the applicant starts work:

1. Prepare 3 copies of Form ES 699, Applicant History - MDTA Bonding Project. Follow the instructions indicated in II ES 699.

2. Notify the employer of the effective date of the bond (date employee starts work). Advise the employer that the actual bond will be mailed directly to him by the bonding company. If the employer requests a document attesting to the bond prior to his receiving the actual bond from the insurance carrier, prepare and send to the employer the binder Form ES 698, MDTA Bonding Project Certification.

3. Forward two copies of Form ES 699, Applicant History - MDTA Bonding Project, to the Employment Consultant-Parole. Keep one copy in local office files.

D. Follow up bi-monthly with the employer to check on the applicant's job adjustment. Some bondees will require more attention from the local office after job placement to help them adjust to the world of work. In other instances people will quit or be discharged and bond termination should be effected as soon as possible to avoid wasting bonding units.

Follow-up with bond applicant and employer is also needed to obtain information to assess the project correctly. Information obtained at the time of follow-up contact should be noted under "Comments" on Bonding History Form, ES 699.

E. Take the following action if the employee is released from or leaves the job or the bond is terminated:

1. Send a memorandum to the Employment Consultant-Parole, giving him the name of the bondee, the employer, the effective date of termination and the circumstances.

2. Note the date of termination and the circumstances on the local office's copy of the applicant's Form ES 699.

SELECTION AND PROCESSING OF PARTICIPANTS IN THE MDTA BONDING PROJECT

26394 Evaluating Project

In addition to aiding those individuals actually bonded under this program, great value will result from individuals gaining employment because of the availability of the bonding assistance.

A. Local Employment Service offices and Youth Opportunity Centers will take the following action to assist in evaluating the MDTA Bonding Project program:

1. Prepare a weekly memorandum of all instances in which the availability of bonding was discussed with the applicant and the employer and, although no bond was certified, its availability was a definite factor in the placement which resulted. Include the following information regarding each such instance:

   a. Date

   b. Applicant's name and DOT code

   c. Employer's name

   d. Job Title and DOT code of the job in which the applicant was placed.

2. Forward this report, at the close of business Friday to:

   Mr. William G. Rafferty-Employment Consultant-Parole
   New York State - Division of Employment
   370 Seventh Avenue - Room 1004
   New York, N.Y. 10001

26395 Background Information

The following definitions will be helpful in discussing bonding with employers.

1. Individual Bond

   The simplest form of fidelity bond is the one which bonds the employee to his employer. This is the individual bond and is used when there is only one employee to be bonded.

2. Name Schedule Bond

   The schedule bond was developed to include all of the employees to be bonded under one bond. A schedule is attached to the bond listing the name, position, location of each employee and the amount for which he is bonded. The insuring and other clauses of the bond are the same as in the individual bond.

SELECTION AND PROCESSING OF
PARTICIPANTS IN THE MDTA BONDING PROJECT

26395 (continued)

3. Position Schedule Bond

When an employer has high turn-over, the paper work involved in adding new employees, deducting former ones, computing earned and unearned premiums, etc., suggest that a less involved method be devised. Instead of naming the individual employee occupying each position to be bonded, anyone employed in that position is bonded.

4. Blanket Bond

Blanket fidelity bonds insure the employer against loss due to dishonesty of any employee, regardless of who that employee may be--president, or the sweeper of the back stairs. Every employee is bonded for the amount stated in the bond, which is the same for all employees, whether he is treasurer of the company or a day laborer pushing a wheelbarrow. Coverage is automatic. Just as soon as a new employee is hired, he is bonded for the full amount stated in the bond. There are no premium adjustments during the policy term except in the event of merger or consolidation with another company.*

* Employers normally obtain coverage for their employees by the use of a "blanket bond" can also use MDTA bondees as employees. The MDTA bondee would not be covered by the blanket bond, he would be working under separate coverage. Any loss occasioned because of dishonesty by the MDTA bondee would be covered by the United Bonding Company up to the dollar value of the specific bond. Losses of undetermined origin (or individual act) are extremely rare and should they occur, the responsibility of deciding which bonding company would pay the employer would be negotiated by the two insurers and not the employer.

MDTA BONDING PROJECT CERTIFICATION

A. Purpose:

The bond for an applicant covered by the MDTA bonding program is mailed directly to the employer by the bonding company. This form, when requested by an employer, certifies that the applicant is bonded prior to the employer's receipt of the bond.

B. Preparation:

Singly, prepared by the Employment Service Interviewer or Counselor who refers the applicant to the bonding program.

C. Entries:

Self-explanatory.

D. Disposition:

Send to employer of bonded applicant.

E. Procedural Reference:

II 27390 - 27394

MDTA BONDING PROJECT CERTIFICATION

F. Facsimile:

STATE OF NEW YORK
DEPARTMENT OF LABOR
DIVISION OF EMPLOYMENT

NEW YORK STATE EMPLOYMENT SERVICE

This certifies that _____ is bonded for
(name of applicant)

_____ for _____ effective _____. The actual
(amount) (period of time) (date)

bond will be mailed to you within 15 days.

_____
(Interviewer)

ES 698 (8-67) MDTA Bonding Project Certification

APPLICANT HISTORY-MDTA BONDING PROGRAM

A. Purpose:

1. To provide the local office with a background of the applicant and his work history before bonding assistance was provided.

2. To provide the state sponsor (Employment Consultant-Parole) with information concerning applicants receiving bonding assistance.

B. Preparation:

In triplicate, prepared by the Employment Service Interviewer or Counselor who refers applicant to the bonding program.

C. Entries:

1, 3, 4, 5, 8, 9, 18, & 25. Self-explanatory

2. Enter primary job title and DOT Code on first line. Enter additional job title and DOT code, if any, on second line.

6. Circle highest grade completed, not number of years of school attended.

7. Enter this information only on the two copies to be sent to the administrative offices. (The information is for reporting purposes.) Do not question applicant; identify by observation.

9. Enter this information only on the two copies to be sent to the administrative offices. (The information is for reporting purposes.)

10. Enter name or accepted abbreviation for branch of service, date of entry on duty and date of discharge. If disabled, enter ES Handicapped code.

11. Enter L.O. number or name of referring agency. Enter name of interviewer or counselor and L.O. bonding representative.

12. Enter date Bonding Program discussed with applicant.

13. Circle appropriate designation of program that establishes applicant's eligibility:

Institutional Training - Formal curriculum in schools or similar institutions

Work Training - Training received in a work situation such as on-the-job training

Work Experience - Work projects designed to develop employability of welfare clients and other disadvantaged adults and youth (Neighborhood Youth Corps, etc.)

APPLICANT HISTORY-MDTA BONDING PROGRAM

C. Entries: (continued)

Counseling - Formal ES counseling which meets established criteria need not be instituted or reported so long as the needs of the individual are adequately served by an interviewer.

14. Circle police or credit, if appropriate. If other, write a brief explanation as stated by applicant.

15,16, & 17. To be filled in at the time employer accepts applicant for a specific job.

19. Enter number of times arrested as stated or from information on police record.

20. Enter most serious charge(s) if numerous arrests, or if arrested many times for the same offense, enter this information.

21. If numerous arrests, enter dates corresponding with #20.

22. Enter number of convictions as stated or from information on police record. Enter number of times committed as stated or from information on police record.

23. If numerous confinements, enter reason for longest term of commitment.

24. Enter dates of longest term of confinement.

26. Circle "yes" or "no". Circle "yes" if case records which the agency has provided the information source - enter brief explanation, e.g., statement by parole officer.

27. In the box headed "Result" insert the date applicant started work. This will be the effective date of the bond. Enter number of bonding units needed. To compute bonding units needed, divide amount of bond by $500 and multiply by the number of months the bond covers. A $2500 bond for one year requires 60 bonding units $\frac{\$2500}{\$\ 500} \times 12 = 60$.

28. State specific problems and/or successes encountered in obtaining suitable employment for this person under the Bonding Project.

APPLICANT HISTORY-MDTA BONDING PROGRAM

D. Disposition:

1. Send original and one copy to state sponsor (Employment Consultant-Parole).

2. File one copy in applicant's application card.

E. Procedural Reference:

II 26390-26395

F. Facsimile:

See next page.

Applicant History - MDTA Bonding Program

1. Name: | Social Security No. | 2. DOT Title and Code

3. Address: Zip Code | 4. Phone | 5. Date of Birth

6. Education (Circle highest grade)
1 2 3 4 5 6 7 8 9 10 11 12 1 2 3 4 | 7. Sex M F Race W NW | 8. Married Single Other | 9. Citizen Yes No

10. Military Service (Branch, Dates of Service, Disability, if any)

11. Referred by (L.O. or Agency) Interviewer | 12. Date

13. Eligibility (circle one)
Institutional Training Work Training Work Experience Counseling

14. Reason Stated for Denying Bond (circle one) Police Record Credit Rating Other (Explain)

15. Proposed Employer (Name & Address) | Type of Business

16. Position Applied for (DOT Title & Code) | 17. Employer Bonding Co.

18. Employment History (list most recent job first)

(1) Exact Job Title | Dates Employed: From: To:

Employer Name and Address | Type of Business

Salary | Hours/Week | Reason for Leaving

(2) Exact Job Title | Dates Employed: From: To:

Employer Name and Address | Type of Business

Salary | Hours/Week | Reason for Leaving

(3) Exact Job Title | Dates Employed: From: To:

Employer Name and Address | Type of Business

Salary | Hours/Week | Reason for Leaving

19. No. Times Arrested | 20. Reason(s) for Arrest(s) | 21. Date(s)

22. No. of Conviction(s)
No. of Confinement(s) | 23. Reason for Confinement(s) | 24. Date(s)

25. Longest Period of Confinement From To | 26. Police or Credit Record. If yes, source of info: Verified: Yes No

27. Employment History Under Bonding Program

DATE Job. Dev.	DATE Referred	Employer	Job Title	Dur	Pay	Result	No. of Bond Units

28. Comments (Use back of form)

A-100 231

ES 699 (8-67) N.Y.-Dept. of Labor-U.E.

4.0 ARTICLE ON FEDERAL BONDING PROGRAM FROM

EMPLOYMENT SERVICE REVIEW

December, 1966

ES Bonding Project

A Trainee Placement Assistance Demonstration Program is being conducted jointly by the Employment Service and the Office of Manpower Policy, Evaluation, and Research, to determine whether special government-supported bonding aid will help place persons who are denied suitable employment because they cannot obtain commercial bonding. Known as the Bonding Project, it is a pilot program authorized by a 1965 amendment to the Manpower Development and Training Act.

To be eligible, a person must have participated in one of the following federally financed activities: (1) Training, (2) work training, (3) work experience, or (4) counseling, and be seeking employment through the public Employment Service.

Bonding coverage for approximately 1,700 persons has been purchased by the Department of Labor. This coverage is being used by Employment Service local offices in five pilot cities: Chicago, Kansas City, Los Angeles, New York City, and Washington, D.C. In each city, an ES staff member has been designated as area sponsor to inform local office staff on the intent and implementation of the program. He is also responsible for reviewing eligibility of potential bondees and employers, and for certifying and terminating bonds with the company. The availability of bonds is offered to persons in all occupations within any industry.

In addition to this demonstration program, bonding assistance also is being offered through six special manpower projects—two of them in prisons—through arrangements with the Office of Manpower Policy, Evaluation, and Research. These special projects were selected on the basis of the relatively large number of MDTA enrollees, other trainees, and releasees whose histories inhibit them from obtaining commercial bonds and consequently satisfactory employment. For each special project, a sponsor has been designated whose responsibilities are essentially the same as those of the Employment Service area sponsor.

The first 3 months of bonding project operation have benefited directly only a few dozen individuals. This may be due to several factors. For one thing, increased job opportunities have eased some placement problems. When there is a choice of referring an applicant who apparently is not commercially bondable to a bonded job or to a job not requiring bond, interviewers naturally have tended to refer him to the unbonded job. Furthermore, a tightened job market has caused some employers to reduce hiring requirements and make more jobs available without bonding. Too, many potential bondees lack skills or knowledge required to fill satisfactorily the presently vacant bondable positions. In some instances, employers have been hesitant about accepting offers of bonding assistance, expressing concern that special protection for some may be prejudicial to their normal surety bonding coverage.

However, the availability of this type of special case bonding coverage has produced some excellent indirect assistance to the target group in getting jobs. One such benefit has been to remove bondability as an employer discriminatory screening device. Once the real impediment to hiring becomes clear, and is not hidden behind a bonding requirement, constructive remedial steps can be taken. With bonding removed as a problem, other specific legal restrictions and licensing requirements have been identified and tackled directly.

Perhaps the most significant im-

Would you hire this man? He has 17 years' experience as a controller and industrial salesman, a college education, good appearance—and a conviction record as an embezzler. He is a parolee from a Federal prison, under obligation to pay back $35,000 to an insurance company.

A difficult position for the applicant, a difficult decision for the employer. Commercial bonding companies would not cover this man—but work at the unbonded types of jobs open to him was at a salary level that made paying back the $35,000 impossible. An employer who needed a man with his capabilities was hesitant: This was a key position in the company, and dishonesty by the incumbent could be very costly. The employer would consider hiring him only if he had protection against financial loss through a surety bond.

Fortunately for employer and applicant, the applicant's parole officer had been contacted by an Employment Service counselor and he knew a pilot "bonding project" had just started in his city. The parole officer directed the man to the local Employment Service office. There he submitted an application for employment, discussed his job goals with an Employment Service interviewer, and arrangements were made for special bonding protection needed to overcome the barrier his prison record presented to acceptance and hiring by the employer. He was placed in the employer's vacant bookkeeping position and is filling it capably and well. The employer is pleased—and the applicant is now a productive member of a company team and his community.

pact of the bonding project thus far has been a bolstering of confidence of both jobseekers with police records and the Employment Service interviewers—and often of employers, too. Applicants are more willing to disclose complete background information, often revealing acquired skills and knowledge not otherwise apparent, as well as arrest/convictions, poor credit, etc. Previously, applicants frequently ruled out bonded jobs and would not discuss skills and training acquired while imprisoned. Interviewers now attempt referral of qualified—but apparently not commercially bondable—applicants to employers whom they would not otherwise approach. This increased frankness and confidence has sometimes been rewarded by having the applicant accepted without providing the special bonding aid, either through hiring without bond or acceptance under the employer's regular "blanket" bond.